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East Europe

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CONTENTS

10 November 1992

BULGARIA

Character, Role of President Zhelyu Zhelev [VEK 21, 2 Sep]	1
Presidential Adviser on Military Reform [BULGARSKA ARMIYA 18 Aug]	4

CZECHOSLOVAKIA

Study Weighs CR's Chances for Joining EC [MLADA FRONTA DNES 9 Oct]	8
Gabcikovo Could 'Destabilize' Central Europe [SLOBODNY PIATOK 30 Oct]	8
Czech, Slovak Relations With Germany Examined [METROPOLITNI TELEGRAF 10 Oct]	9
Zala Decries Czech Hegemony, Urges Independence [LITERARNY TYZDENNIK 5 Sep]	9
Creation of Cosmopolitan Slovakia Urged [KULTURNY ZIVOT 30 Sep, 7 Oct]	11
Disagreement on Budapest TV Programming [SZABAD UJSAG 2 Oct]	14
Hungarians Open Disputed Komarno City College [UJ SZO 26 Sep]	15
Hungarian Bookstore Reopens; Most Books Slovak [UJ SZO 3 Oct]	16
'Frustration' of Gal Over Citizenship Problem [PRAVO LIDU 14 Oct]	16
New Political Vocabulary Related to Old Ideas [SVET HOSPODARSTVI 17 Sep]	17
Foreign Investment in Post-November Period [DOKUMENTACNI PREHLED 7 Sep]	17
Contemplated Ratio for Property Division Doubted [METROPOLITNI TELEGRAF 18 Sep]	19
Local Budgeting, Taxation System Discussed [EKONOM 18-24 Sep]	19

HUNGARY

Extreme Right Seen Becoming More Radical [NEPSZAVA 12 Oct]	22
Two-Thirds of MDF Members Said to Back Csurka [NEPSZAVA 11 Sep]	22
MDF Parliamentary Group's Rejection of Csurka [MAGYAR NEMZET 1 Oct]	23
Poll: FIDESZ Chief Leads, Csurka Drops [HETI VILAGGAZDASAG 10 Oct]	23
Christian Democrat on Party's Role, Opposition [UJ MAGYARORSZAG 7 Oct]	25
Cultural Committee Head Kulin on Media Battle [UJ MAGYARORSZAG 6 Oct]	26
Tolgyessy on 1993 Budget, Political Scene [UJ MAGYARORSZAG 6 Oct]	27
Report on Consistency With EC Laws [FIGYELO 8 Oct]	28
Summary of Finance Ministry Report on Economy [FIGYELO 8 Oct]	30
Sale of Compensation Vouchers Planned [FIGYELO 8 Oct]	30
Editorial Critique of Privatization Work Program [FIGYELO 8 Oct]	31

POLAND

Skubiszewski Discusses Regionalization of Europe [POLITYKA 17 Oct]	33
Prospects for Polish-Hungarian Cooperation Viewed [RZECZPOSPOLITA 26-27 Sep]	38
Politicians Discuss Parties, Political Scene [GAZETA WYBORCZA 3-4 Oct]	39
Center Alliance Leaders Meet in Krakow [GAZETA KRAKOWSKA 26 Oct]	43
Status, Future of Defense Sector Considered [RZECZPOSPOLITA 7 Oct]	44
U.S.-Polish Tariff Protection Compared [RZECZPOSPOLITA 13 Oct]	47
Differences Over Polish-Russian Debt Repayment [RZECZPOSPOLITA 25 Sep]	49
Foreign Investment Growth Evaluated [RZECZPOSPOLITA 17 Sep]	50
Financing of Budget Deficit Discussed [RZECZPOSPOLITA 19-20 Sep]	50
Credit, Tax, Enterprise Plans for 1993 [RZECZPOSPOLITA 2 Oct]	51
NIK Defends Views of Privatization [RZECZPOSPOLITA 18 Sep]	53
Competitiveness, Productivity of Industries [RZECZPOSPOLITA 19-20 Sep]	53
Needs, Funding for Industry Restructuring Outlined [RZECZPOSPOLITA 17 Sep]	55
Overview of Gas-Supply Reliability, Reserves [RZECZPOSPOLITA 21 Sep]	55
Easy Credit Designed To Help Farmers [RZECZPOSPOLITA 12-13 Sep]	56
Data on Farm Income Parity Questioned [RZECZPOSPOLITA 18 Sep]	57
State Alcohol Monopoly Under Review [RZECZPOSPOLITA 14 Sep]	58

Program for Iron, Steel Industry Outlined [RZECZPOSPOLITA 19-20 Sep]	59
Contenders for Polish Copper Outlined [RZECZPOSPOLITA 23 Sep]	60

YUGOSLAVIA

Kucan on Preelection Politics, His Candidacy [DELO 24 Oct]	62
Roundtable on Coexistence in North Macedonia [NOVA MAKEDONIJA 1 Oct]	68
Cash Flow Shortages Topic of Study [EKONOMSKA POLITIKA 19 Oct]	69
Government Antirecession Measures Viewed [EKONOMSKA POLITIKA 19 Oct]	72
Entrepreneurs Increasingly Important in Montenegro [EKONOMSKA POLITIKA 19 Oct]	74

Character, Role of President Zhelyu Zhelev

92BA1441A Sofia VEK 21 in Bulgarian 2 Sep 92 p 3

[Article by Nikolay Slatinski: "Dr. Zhelyu Zhelev—Sweet Smile, Good-Natured Gestures, Flashes of Iron"]

[Text] Whether according to the logic of democratic processes, the irony of fate, or the sharp turns of unfamiliar political roadways, in our country the layers of social life keep constantly shifting, defining for our country the optimum possible combination of ruling power and management methods. Despite all of this, the SDS [Union of Democratic Forces] must always keep looking for a means to surmount the inertia of power, to make corrections in the way of thinking and changes in the dynamics of weak personalities. Autosuggestion on infallibility, the reideologizing of reality, the fabrication of popular (but also populist) plans for explaining this reality, and the use of primitivism in political speech and—why not?—sinking into an atmosphere of meetings exclusively with our most uncompromising supporters, who believe us and who tell us that we are fear inspiring and who tend to forgive us all of our errors, are dangerous. The SDS is Bulgaria's major opportunity, regardless of the various hardliners, hyphenated groups, ill-wishers, and graphomaniacs (for some reason, all of them former state security people). However, the SDS must ignore neither the space nor the time of political realities that correct our activities, regardless of our wishes and emotions.

Dr. Zhelyu Zhelev represents such a political reality and essential political factor. He must clearly and accurately become known in all of his dimensions and with maximum objectivity. I realize I am subjective with each line I write. However, my participation for more than two years on the periphery of and inside big politics, and my observations and analyses are bound to add some features to the real assessment of the Zhelyu Zhelev phenomenon.

I have repeatedly written about him and have invariably pointed out his errors and faults, despite the fact that he has always shown respect for me as a leading figure in our young political life. Recently, I had the opportunity to travel on several occasions to the United States, Canada, Germany, and Belgium; I met with foreign ambassadors, attaches, diplomats, and members of parliament. On the basis of my impressions, I can clearly state that Dr. Zhelev is considered, unquestionably, the number-one Bulgarian politician in the eyes of influential Western political circles. Wearing the halo of his sentimental opposition past and the authority of philosopher and the first and most important leader of the SDS, and of the first democratically and, subsequently, nationally elected president, Dr. Zhelev has further advanced his reputation with his several strong international actions and the fast pace of democratization of Bulgaria in which he became involved, and even on the basis of his position as head of state. The West is much more familiar not with our parliament members and party leaders, not to speak of trade union

bosses, but with the people who make policy on a daily basis, who make decisions on a daily basis, and who have assumed the burden of the executive powers, which is why the rating of our politicians in the West is different: the first rating is given to Dr. Zhelev, Filip Dimitrov, Stoyan Ganev, Iv. Kostov, and, until recently, Dimitur Ludzhev. Let us emphasize that the respect felt for Dr. Zhelev by presidents and prime ministers of economically and politically strong countries is incomparably more significant than the overrated support of Dr. Trenchev by the head of the AFL-CIO [American Federation of Labor and Congress of Industrial Organizations], which is a union with a somewhat tarnished reputation, suspected of all sorts of deals and corruption and whose membership has declined in record numbers. No more than 3 percent of all Americans know that Lane Kirland, the AFL-CIO president, is the person with whom Dr. Trenchev periodically threatens our government.

I am far from the idea of describing Dr. Zhelev's authority in the West as being unquestionable and permanent. Increasingly, the West is showing indications of doubts in assessing his activities.

Manifestations of indecisiveness and an unwillingness to commit himself to a categorical defense of the government, despite the constant pressure being exerted against it, accompanied by hysterical cries for resignation and elections, and distancing himself from social conflicts critical for the country (unanimously assessed as political ambitions, poorly concealed as trade union efforts), conflicts with the coalition that nominated him, weakness toward failed collaborationists, and stubborn support of mediocre ambassadors to missions in Europe of vital importance to the country are all phenomena that have no healthy impact on his political rating, the more so because it would be difficult to spare Dr. Zhelev from the wave of disappointment in presidential dissidents, which affected Havel less and Walesa more. Nonetheless, the SDS would be making a tremendous error if, locked inside our own visions of relations, values, and personalities in social life, it failed to realize that, internationally, the most useful thing for Bulgaria would be for us to join efforts with Dr. Zhelev.

Actually, the same applies to our domestic policies. I suspect that in this area we shall experience significant difficulties because this democratic philosopher we love has long stopped being the same, and the changes that have taken place in him are entirely understandable. It may not have been easy, but Dr. Zhelev adopted the following golden rule as his credo: "In politics, those who are right do not always survive, but those who survive are always right." From that point on, the problem is to pay for personal ambitions and pragmatism with minimum possible compromises with one's morality and conscience. In a purely human way, Dr. Zhelev rejects some SDS leaders; he strongly disagrees with others and

is simply physically unable to tolerate still others. Nonetheless, he accepted the SDS nomination to the Presidency with barely a frown in order to display to his rose-tinted friends his concern and doubts about the correctness of the choice. However, this marriage was mutually profitable and inevitable; it was an arranged marriage, and we swallowed the heavy blow the president dealt us with the indifference he displayed during our hunger strike. Soon afterwards, we were to be taught new lessons in pragmatism: vetoed laws or the washing of his hands by turning to the Constitutional Court. Naturally, such appeals tore up the nervous system of the blue-colored electorate, that same electorate that had made Dr. Zhelev president, and made the day of those who were damning him.

The myth that prevails among us is that Dr. Zhelev surrounded himself with weak and incompetent advisers. That is simply not true. Some of them may be post-10 November members of the BCP [Bulgarian Communist Party] or former State Security personnel. However, that is not what matters most. Most of Dr. Zhelev's advisers are both professionals in their fields and very skillful political players. They supply their benefactor what he lacks most because of his character and inexperience: savvy in political games.

Those advisers were (some of them to a certain extent) well-off before, and they are also all right now. Their task is to anticipate several steps in advance, to analyze the situation, and to model events in accordance with the interests of the president. They do not deal with the current difficulties of the country. That is handled by the government and the parliament. Nor are they to be blamed for unemployment and low pensions. According to DUMA, that is the concern of the SDS. In an atmosphere of tremendous industriousness, in the laboratory of constant exchange of thoughts and ideas, an ambitious group of people has been able to take on entire institutions, such as the Council of Ministers and the National Assembly. It has been able to keep track of all sensitive areas and events in social life, to maintain intensive international contacts, and to promote ideas, such as that of national conciliation, which hides behind a sacred nonpartisan approach a deliberate and by no means innocent attempt at restructuring the political space.

Their main concern is how to increase Dr. Zhelev's rights, which were scandalously curtailed by the Constitution, and how to give him as much credit as possible for the positive changes in the country, while making him innocent of difficulties. Those people are perfect at performing their difficult tasks. They do not shy away from even the use of some so-called totalitarian yet entirely innocent steps: the timely granting of interviews, in the course of which questions they have fabricated are planted with always obliging television journalists, or talking some editors capable of being influenced into hastening or delaying the publication of given material, as needed. Actually, not one of his advisers could be suspected of any

love whatsoever of the SDS. On the contrary, they probably leaf through, with tremendous pleasure, the openly antiblue newspaper 1000 DNI, which suffers from intellectual graphomania and is also known as the "Presidential Tribune" and which, unquestionably, is subsidized with donations or modest photosynthesis.

There may be nothing reprehensible in enriching the presidential nature with the qualities of a political player, although this may detract from his charm. How else could he so accurately, with such accurately gauged words and actions, remove Dimitur Ludzhev from his position as minister of defense? I can certify that the idea of Ludzhev's resignation was born in the office of the president. Efficient use was made of Filip Dimitrov's natural prerogative to choose his own cabinet, and of Dimitur Ludzhev's behavior, which had exceeded all bounds of tolerance, displayed in Cabinet meetings, as well as the very familiar negative attitude of most of the SDS leadership toward him. It was then that I realized, once and for all, that the democratic philosopher had already become a master of the political game.

I was amazed at the depth of planning revealed through the impeccable anticipation of the development of all of the events within the Ministry of Defense and the General Staff subsequently, from April all the way to the end of August. I was absolutely amazed at the nerve shown by Dr. Zhelev in launching the concept of a cabinet of technicians, headed by Dimitur Ludzhev, who should have given at least a thought to what such a concept would trigger among people who knew of his firm decision to remove Ludzhev at all cost, to remove him because that was the only way for Dr. Zhelev to assume full and unchallenged control over the Bulgarian Army and to "complete" a Constitution that was paralyzing him by providing a new and unsuspected meaning to paragraph 1 of Article 100, which stipulates that "the President is the supreme commander in chief of the Armed Forces of the Bulgarian Republic." For was it not for the sake of this objective that he named Dimitur Ludzhev minister of defense and helped him in all possible ways to assume full power in defense and the Armed Forces, after which, violently reacting to the deep ungratefulness with which his loyal friend and protege had fired and literally persecuted all presidential advisers, he decided to set up for himself a minigovernment within the Ministry of Defense and thus plunge into a state of deep depression the entire General Staff, for the first time after 10 November.

What bothers me is that Dr. Zhelev and his strategists had not anticipated my sharp reaction to the excessive strengthening of the positions of the generals in violation of the democratic principle of civilian control over institutions related to defense, security, and public order. I tried to teach the president and the high-ranking military that, in our country, no longer can anything be done behind the public's back. Such crucial problems must be resolved not by feverish fussing and whispering but with the necessary openness of intentions and transparency of actions. The "independent" press and the

shrieking real opposition, which are so greatly concerned with democracy, jointly kept silent, for whatever they consider democratic is that which can obstruct the efforts of the SDS. (The way this affects the state, in such a case, is ignored.) Some of my friends decided that, inasmuch as Dimitur Ludzhev supports me in my concerns, that means I support him 100 percent, in precisely the same way some people might be angry not at those who would set their houses on fire but at those who would shout "Fire!" It is entirely likely that the new structure of the Ministry of Defense and the General Staff will become effective even before the publication of this article. As a result of this, the decisively initiated and, in some of its aspects, quite drastic military reform will be delayed for an indefinite period of time. Meanwhile, our country will have newly promoted colonels and generals, preening themselves in their new uniforms, alongside their supreme commander in chief. There will be increased exercises watched with pleasure by the president; our international contacts and military policies will be planned by the presidential office; and the people abroad will be looking with amazement at the way, instead of sending civilians to meetings and conferences, our country will once again send its military, while the Ministry of Defense withers away under the burden of responsibilities caused by a lack of funds and of all the shortages and concerns and problems in military repair plants and, naturally, in the Armed Forces in general.

Displaying the same stubbornness with which he opposed all strictly restrictive stipulations of the Constitution, Dr. Zhelev has accurately followed the letter of the Constitution and also its spirit in isolating Mrs. Blaga Dimitrova from state affairs.

I admit that the reasons for such behavior are not entirely clear to me. When the National Security Commission corrected the "unintentional" omission in the National Security Council draft, written by the presidential advisers, with the vice president adding to it, I was greatly disturbed by the reaction shown by Aleksey Alekseev, the chief of Dr. Zhelev's office. The emotional claim that the suggestion made by our commission was absolutely wrong enabled me to sense, to the fullest extent, how deliberate and well planned that omission was. Later I had further reasons to realize that the isolating of Mrs. Blaga Dimitrova was not merely a vision triggered by my excessive partiality. That is regrettable because the reciprocal suspicions, mistrust, and unvoiced hurts spread among the various floors of the presidential offices are a loss to the SDS and to our country, and the already familiar Balkan melodies that, alas, we are totally unable to overcome are starting to surface in our government.

In my view, Dr. Zhelev tends to surrender to two major illusions. According to the first of them, the SDS is (already) doomed because it is faced with a certain difficult and politically ruinous project: to change the system and to eliminate the entire public negativism of our period, in the course of which the old structures will be dismantled, eliminated, or dominated by market

mechanisms, while the new structures will still be seeking optimality and efficiency, a period during which the living standard is bound to worsen. As assessed by many of our noted aces in political forecasting, who nostalgically remember historical materialism, having implemented its mission and done the dirty work, the SDS will vanish, and a virtual democratic paradise of universal national fraternizing will prevail in our land, tired from a blue-colored totalitarianism. But who is to say that some among our more rational people had not realized that, whenever the living standard declines, people become tired of democracy, and the thirst for fast change literally burns the public awareness with its expectation of a strong hand that will bring order and, by necessity, trust in the father of the nation becomes necessity?

What a bitter illusion! Because Dr. Zhelev and the SDS are two parts of the same whole, two faces of a single process.

What matters is for this to be understood by the SDS (although, as I write this, I can clearly sense the disagreement of many of my colleagues at No. 134 Rakovski Street and among our parliamentary group); what is even more important is for Dr. Zhelev, as well, to realize this.

The second of the two illusions is the belief that is taking hold of Dr. Zhelev and his close advisers to the effect that this National Assembly, which more or less passed the most important laws and achieved the most that was possible, given its polarized configuration, is increasingly clashing with the existing reapportionment of the public's support of parties, whether represented or not represented in parliament, which is why one must think of electing a new parliament. In its unadulterated aspect, the idea is transparent. The new parliament would be the Polish type: weak, with numerous but small factions, torn by contradictions. With such a parliament, governments will fall like ripe fruit, and the country would exist in a state of permanent political instability. In such an atmosphere, coming to the fore would be the president as unifier and conciliator of the nation, the only person capable of concentrating its efforts in order to pull out of the crisis and preserve the democratic foundations of society.

This is yet another bitter illusion, refuted daily by the development of events precisely in Poland, where very little remains of the previous tremendous and seemingly endless authority enjoyed by Lech Walesa.

The strength of a democratic society lies in its democratic structures. In this respect, Dr. Trenchev is absolutely right. However, these structures include not only the trade unions and the business fraternities but also and above all the institutions related to the direct exercise of the three branches of power. In the transitional period, the nucleus and the generator of change reside in a democratically elected parliament, such as the present one, which could not be said of the former Grand National Assembly (we still cringe at the mention of the endless criminal manipulations and forgeries committed

by the communist party in June 1990. The circumstances surrounding the hasty and mysterious recognition of the election as legitimate by the then SDS leaders are, to this day, subject to all sorts of rumors, doubts, and questions. That is one more page which must be read before finally tearing it off). That is why prematurely attacking today a parliament established at the cost of tremendous efforts is a rather dangerous undertaking.

The more the reform achieved through SDS advances (and let us not forget that today there is simply no other force capable of making the change) and the more successfully and efficiently our democratic structures begin to function, the higher will become the reputation and recognition of our president. It is amazing that he is unable to realize that to the necessary extent! If the present National Assembly were to collapse and the next National Assembly turn into a paralyzed talk shop, Dr. Zhelev would risk becoming a pawn in the hands of undefined forces and interests, a passive observer of a raging anarchosyndicalism and of omnipotent laundered dirty money and major ethnic conflicts. It would be absurd, motivated by any considerations whatsoever, to obstruct the legitimate course of historical development. Naturally, equally absurd would be any efforts to insinuate that it is somehow possible to remove, ignore, belittle, or stuff into a little hole a president elected on the basis of that same legitimate and democratic method. The art of politics is to outgrow a personality attitude and swallow dislikes and, however pathetic this might sound, to subordinate one's activities to the interests of the country during the difficult period of its democratization.

It is indeed unpleasant when Dr. Zhelev removes himself from us as though indicating that he relies less and less on our cooperation. It is unpleasant when he is the subject of the ovations of the red press or enjoys the obvious sympathies of the entire well-red and always soured semi-intelligentsia, which spent the past three years in the coffeshops or in the arms of sentimental lovers. Many other unpleasant things happen to us on a daily basis. However, such are the realities of our country. Why should we pretend that anything we do not like does not exist or is so vicious and so disgusting that we should declare total war on it? It is true that, of late, Dr. Zhelev has been hiding increasingly behind a sweet smile, good-natured gestures, flashes of iron in his eyes, and his resolve to dictate the course of events in our country. What we need, however, is not bruising battles with him but joint efforts. Only thus can we activate the compensatory mechanisms that eliminate extremes and streamline intentions. I keep thinking that this is the shortest way to our common objective, unless some of us have been concealing other intentions deep within their souls.

15 August 1992

P.S. I learned officially on 18 August of the extremely unpleasant error committed by Zdravko Popov, at the same time as Dr. Zhelev and F. Dimitrov. The president is hardly likely to have suspected the exploits of his

adviser and his close ties to Nikolay Bogdanov, the former MVR [Ministry of Foreign Affairs] official, and to Amal Abu Zeid, the old Kinteks client linked to the Lebanese Christian Militia. The more so since Mr. Zeid is linked to some other "former people," who forgot to return to the country after being recalled from Lebanon. However, there have been despicable versions depicting Zdravko Popov as the latest victim of the war between the SDS and Dr. Zhelev. To describe the president as a martyr when a member of his retinue is doing him harm is an act of great stupidity. Personally, I am much more worried by the idea that a lover of strong sensations from Beirut possessed a tremendous amount of information related to the office of the president.

Dr. Zhelev's so-called press conference supports these lines so categorically as to not need any comment. What is shameful is that it was not attended by journalists from DEMOKRATSIYA and VEK 21, the blue press, who were the only ones who fought for Dr. Zhelev's January election.

Presidential Adviser on Military Reform

92BA1448A Sofia BULGARSKA AKMIYA in Bulgarian
18 Aug 92 pp 1, 3

[Interview with Lieutenant General Stoyan Andreev, presidential adviser on national security matters, by Vladi Vladkov; place and date not given: "All Components of the Reform Have To Be Directed Toward Increasing the Defense Capability of Our Country"]

[Text] On the eve of the holiday of the Bulgarian Army, a representative of the military daily newspaper met with Lieutenant General Stoyan Andreev, presidential adviser on national security matters, and asked him questions connected with the reform in our armed forces.

[Vladkov] General, recently, quite a number of people have been engaged in evaluating the nature and course of the reform in the armed forces of our country. I have the feeling that the professional military personnel cannot straighten things out. It will be interesting for the readers to hear your opinion about the changes that have already begun and that the Army faces.

[Andreev] The question is relevant. Many stories about military reform are going around in our country, and there have been many complaints about the slow tempo with which reforms are being carried out. I think that, in the majority of cases, that is primarily because of the ambitions to acquire political dividends in personal and group savings accounts. I have attentively read the statements about those questions in the journals, and nowhere have I found concerns about the chief goal of military reform—to increase the defense capability of Bulgaria, given the new internal and international military, political, and economic realities and standards. All components of the reform have to be directed toward achieving this basic goal, at a time when the military and

political situation in the Balkans is causing serious anxiety throughout the entire world community, and when the United Nations has decided to apply large-scale military measures against territories close to our borders. I am surprised that I am not running into concerns about our national security, as if someone else should be concerned about it. Something more—the concerns of the president of the Republic about the Army, prompted by this uneasiness, are subjected to speculative evaluations on the part of elementary party and personal interests. I do not find that people think the national security is a comprehensive system for guaranteeing the existence and success of our country, and is not a collection of exercise measures, effective from a purely party point of view.

Two scientific conferences with the participation of experts and responsible military leaders from almost all of the developed democratic countries met in Sofia. We studied matters of particular use for us from experience in constructing the national security system of Sweden, Finland, Denmark, Germany, and France. In Denmark, the reform in the Army took 11 years, and in Germany seven. However, in those countries, no one destroyed the systematic structure of their security—the preinduction training of youth, the structure of the Army, the structure of the defense industry, and the mobilization structure of the country. None of those countries permitted changes to be made as improvisation, but all proposed changes are substantiated strictly scientifically, discussed for a long time and openly before the people, and implemented after confirmation by the parliaments. In our country, the defense support organization, which carried out preinduction training of youth, was practically destroyed, and the mobilization readiness of the country was neglected. And that took place without discussion and illegally. On the practical level, the reform in the Army came down to reducing the officer corps, so that now our Army is understaffed by several thousand people. And all of that was done on the basis of a law developed by the military team of Todor Zhivkov in 1958 in order to eliminate from the Army officers he did not like. Three or four years after its introduction, it was prohibited. I am not not defending the old structures. I openly criticized them four years ago for ineffectiveness and inadequacy in dealing with the real needs of Bulgaria. Many of the current famous reformers at that time had not the faintest idea about that. Both then and now I have supported the very normal thesis that reform is necessary and that this reform has to be carried out decisively and uncompromisingly on the basis of the models of democratic countries. However, all of that will take place systematically, without a shock to the security of our country, without social dramas for military personnel, and always to carry out the chief goal of the reform: increasing the effectiveness of our national security. Everything that stands in the way of achieving that goal is to be eliminated, especially in critical times for our country.

[Vladkov] Up to now, you have said nothing about the connection between military reform and the political

processes in the country. But that factor is very significant both for the Army and for our society.

[Andreev] The preelection programs of all parties and coalitions stated that the Army, the police, the intelligence services, and the security services have to be depoliticized and serve our general national interests. There is a declarative national consensus concerning the role of the Army in the democratization of our society. That is one of the greatest achievements of our political life and one of the basic guarantees of a peaceful and irreversible conversion to democracy and a market economy, an achievement that must be protected by both military personnel and the political parties. The president of the Republic, as the supreme commander in chief and as the chief of state, pointed out that, unfortunately, there are attempts to violate that principle both from the one side and from the other. With serious and systematic violations, that already presents a danger to the political stability of the country. After I studied the experience in the area of the national defense of Sweden, Finland, and Canada, I want to share something about which I have thought for a long time: how the political parties will implement their party programs in supporting national security within the framework of national consensus. Yes! There are many great possibilities for implementing individual projects, social programs with a military orientation, external military policy initiatives, programs for accelerating modernization, and so forth. However, all this within the framework of the national consensus.

[Vladkov] It has been reported already that the concept of the reform of our Army has been developed and accepted. It has been said that it received high marks from important Western military and political leaders, but you are criticizing it quite severely. How are we to explain these differences?

[Andreev] I think things are confused here, and significantly different things continue to be consciously confused fairly frequently.

The policy of the government leadership. In the area of national security, which affects all components of security: Army, police, intelligence, military economy, foreign policy, internal political stability, security of individual citizens, ecological protection of the population, protection of the population against disasters, and the overall economic condition of the country.

Military doctrine of Bulgaria. This includes the problems of the structure and functions of the branches of the armed forces and services of the Army, the means of securing their interaction, the evaluations of the probable military threats against the country, the personnel, the level of staffing of the Army, and defense training of the country.

The Law for National Defense. Working programs for solving all tasks on a corresponding military-economic and scientific-technical sociopolitical and purely humanitarian basis.

Timetables for implementing the given programs. Military reforms in all developed democratic countries are carried out according to this scheme. I am now able to try to answer your question correctly. Up to now, only the concept of military reform has been developed in our country. This is truly a very serious collective achievement of our military intellectual potential. In this sense, it is accepted and actively supported by the vast majority of the military personnel and, in particular, by the young officers. This development truly is highly rated by the Western military and political leaders. However, so far, just the basic work has been completed. Where are the remaining components of the military policy of the country and the military doctrine? We still have not adopted the national security doctrine, although it has been developed in its basic features and received consensus of the political forces, even in its working form. However, it was blocked for purely party considerations. Our best scientists and military specialists participated in its development. I see no reason for delaying its acceptance by the National Assembly. The lack of this document makes some ill-advised steps in our military construction possible. The first serious tensions in the Army, against which it is very dangerous to close one's eyes, have arisen because the programs for implementing the concept have not been developed and confirmed. There is no program for solving the social and economic problems of the military personnel. The people who ensure everything and the existence of our country, as opposed to the condition of their colleagues in all democratic countries, are moving steadily down the social ladder in our society. However, this still does not disturb the government and parliament, nor the leadership of the political forces in our country, who declare that there is nothing more important for them than the interests of our national security. There are no developed programs for modernization of the armaments and equipment in our Army. This is particularly disturbing because the operative and scientific-technical aspect of this problem is not at all simple. The structures of the military science institutions in our country have been dismantled. The same obtains with respect to the military-industrial-scientific teams. After our international military science and technological connections have been destroyed, it will be very hard to solve this problem. However, up to now, this has not disturbed anyone except the General Staff, then as a customer and applicant. A paradoxical situation has developed in our country. Bulgaria has some of the best trained programmers in the world. They are almost unemployed but are not involved in computerizing the management of the forces and weapons. However, this is a basic way to increase the effectiveness of our armed forces.

The condition of the training of military personnel is also troubling. The humanitarian part of the training of military personnel is already absent. How long will this painful vacuum remain unfilled? In the meantime, it is already beginning to be filled, but with a content that is dangerous for our country.

The training of the noncommissioned officer staff is in complete disagreement with the interests of our national security. It must be stated openly that, until this problem is solved, as it was done in Germany, we cannot create a modern army. Conditions in this direction, which now are a serious burden, were created at the time of the totalitarian regime. The noncommissioned officers were prepared for war only as perpetual boys. That situation created serious social problems and ruined both the purely military and the military technological training of the noncommissioned officers. In Germany, for example, the noncommissioned officers are trained first of all as first-class experts in at least 10 civilian professions. Those are the "golden" hands of the Army and a highly talented reserve for the country, not its social burden. There is a problem of the fate of tens of thousands of military personnel. That is neither an isolated nor a purely military matter.

Many other programs for implementing the military concept are lacking, and that indicates that someone is obstructing reform in the Army.

[Vladkov] Some newspapers reported that the military reform is being blocked intentionally, and it was asserted even that you are one of those who are blocking it.

[Andreev] I think I have already answered the bulk of that question. I will complete my answer with several more questions: Who needs, and why is it necessary, to have reform that devastates the military preparedness of the Army, which creates social dramas for thousands of military personnel and their families and that may create social destabilization in our country, when we are striving now to get out of the crisis that is stifling us as soon as possible?

[Vladkov] Does it or does it not seem to you that the discussion of military reform is being conducted on a not particularly high professional level?

[Andreev] It is important that the discussion continue to be carried out. It exists. Because it is starting in conditions of almost intellectual terror. The experts were silent because they feared for their positions. I understand them, but I do not justify them. Now the discussion has begun to acquire a certain speculative party nature.

How is it possible to seriously assert that the military personnel are striving to protect good positions even with the privatization of the military-industrial complex? A military patriot is a determined opponent in general of the privatization of the defense industry. Evidently, some people ascribe their intentions to others.

How can an army remain without a security service, when the efforts of foreign military intelligence in our country are acquiring a drastic nature? How is it possible to establish a military police, not subordinate to the commanders and heads of the garrisons, and to have it headed by people who do not have military training?

I wish to say the following to any people who say that I am an opponent of the military police in general: I supported the idea of creating military police five years ago. At that time, my opponents did not know what an army was. But I wanted and want our Army to have a military police, as all democratic governments have. It has to serve the commanders who bear full responsibility for the condition of military preparedness of the garrisons entrusted to them. There are highly trained experts, whom I deeply respect, in the military police. However, the military police are police of military personnel and are obliged to ensure order in the garrisons under the control of the commanders. What other functions can the military police fulfill in a depoliticized army?

It is very strange to me to hear the assertion that the normalization of these problems on the model particularly of the United States and Germany was a turn backwards in military reform because it increased the power of the military. The same people who assert that listened to the advice of John Walker, Marshal of the Royal Air Force of England, on the matter. And it is precisely that advice that is being implemented now.

[Vladkov] Don't you think that assigning purely military and military-technical functions to civilians may lead to mistakes and conflicts?

[Andreev] The optimal distribution of the functions between civilian and military personnel under the leadership of the civilian political authorities is, of course, not only a question of experience, but also of high political culture both among the military and among the civilian personnel. A technological time requires that this optimum be achieved. However, this time will be filled with substantial ethical discussions, with good relations subject to the concerns of the Army and the government. No one should doubt the primacy of the civilian political leadership of the Army. However, no one should be permitted to create a situation in which certain basic types of military equipment reach a level of 50-percent disrepair under the condition that it is serviced by the civilian unit. It is not an active ambition for political power for the General Staff to be concerned to take into its own hands the technical maintenance of military equipment. However, silence and inaction with respect to the disturbing technical state of our armament is an act of political irresponsibility. Let everyone assume his responsibilities in accordance with his level of competence and professional training. Good relations between civilians and military are a question of high culture. As the English Vice Admiral Mason said in Sofia, in England no one would allow the dignity of the

soldier to be injured. He must be sufficiently cultured and disciplined in order to know how to behave toward his commanders.

[Vladkov] In your opinion, when should the Law for Defense in the armed forces be adopted—after the beginning of the reform or before its start?

[Andreev] Naturally, before starting the structural changes. Without a law, no one has the right to perform experiments with the security of our country. Because there is no doubt about the necessity of the reform, many questions that are within the competence of the General Staff or the Minister of Defense may be solved before the adoption of the law.

[Vladkov] Recently, it seems that you have become more tight-lipped. You have traveled to the United States, Germany, and Belgium and have not told our readers anything about it.

[Andreev] That is true. I was at the World Security Conference in the United States. I was invited personally by Admiral Edni, the commander in chief of the NATO United Command in the Atlantic. I presented a report about our experience in the area of our national security. The report was well accepted and was published in the theoretical journal of NATO. I think I will be able to discuss this great event in detail by means of the BULGARSKA ARMIYA journal. Judge for yourselves—the models for the future security of the world were discussed.

[Vladkov] Why were you silent for so long? You did not answer any of our questions.

[Andreev] I will not conceal that I am very bitter about certain acts of certain officials of the Ministry of Defense. The spirit of the highly ethical academic discussion on matters of our national security proved to be unknown to them. The domination of the political ambitions, frequently concealed behind concerns for Bulgaria and calls for reform, irritated and embittered me. However, I have great respect for what was done by the many talented civilian and military experts who worked and are working on the problems of military reform. It will be bloody to the end. I was of two minds about answering your last two questions. Two considerations induced me to answer. The very proper and correct interview of the Minister of Defense, Mr. Staliyski, in the journal BULGARSKA ARMIYA. The second motive is personal. I think that, when a discussion about reform in our Army, which is not very correct, is being conducted, I do not have the right to keep silent about certain burning truths.

Everything I have expressed is deeply personal and is not at all noncontroversial.

Study Weighs CR's Chances for Joining EC

93CH0056A Prague MLADA FRONTA DNES in Czech
9 Oct 92 pp 1, 14

[Report by Stanislav Holec: "Expanding the EC—The Czech Republic, CR, Has the Greatest Chance"]

[Text] The Czech lands could acquire full membership in the European Community earlier than a unified Czechoslovakia, which in turn would apparently become a member of the Community sooner than an independent Slovakia, announced David Begg, one of the authors of the prestigious paper on the EC and its expansion to include other members, which was published yesterday by the London-based Center for Economic Policy Research (CEPR).

"The Czech lands without Slovakia could look like a sufficiently small relative of the EC for the EC to be capable of absorbing it more rapidly than the entire Czechoslovakia," Professor Begg said on the occasion of the publication of his paper, which took place at London University.

The paper, titled "Is Bigger Better?", analyzes the economic indicators of those countries being considered for membership in the EC. According to the paper, the countries of Central and Eastern Europe will meet the conditions for full membership in a relatively more distant timeframe as compared with the countries of the European Free Trade Community (EFTC), for which entrance into the EC is a much more immediate question.

The paper calculates that the entrance of the Central and Eastern European countries into the EC would place an extreme burden on the Community's expenditures. With the current policies of the EC, their inclusion would require the transfer of 8 billion ECU's [European Currency Unit] from the EC members to aid Czechoslovakia, Hungary, and Poland and an additional ECU5 billion for Bulgaria and Romania.

Both for the countries of Central and Eastern Europe and for the EC expanded to include the EFTC countries, the creation of a common market will have enormous advantages. According to the study, the common market will have an enormous potential, up to four times larger than the 1989 level. Czechoslovakia, Hungary, and Poland are, according to the document, already on the road to expanding the market.

In order for both groups to be able to profit from further integration, they must immediately introduce a free market for all kinds of goods and services, including agricultural products and other "sensitive" areas. At the same time, the movement of capital must be freer. All this is supposed to be formalized in the new agreement on the European Economic Space (EES), the paper says.

The current marked differences in income should not result in more than a 5 percent migration of the populace of Central and Eastern Europe over 20 years, but the

introduction of the free movement of labor is not recommended for the time being.

The analysis criticizes the associative agreements that the CSFR, Hungary, and Poland have already signed with the EC because they provide long-term extensive protection for farmers and the manufacturers of textiles and iron and steel in the EC countries. The antidumping mechanisms make it too easy for EC manufacturers to ward off the competition from Central and Eastern Europe.

"The most acceptable candidates for expanding the EC appear to be the Czech Republic and Hungary," says the paper, pointing to their higher earnings, the most advantageous location, few problems in agriculture, and a growing trade with the EC. Poland comes after them with an obligation to carry out reforms and to face up to the poverty, excessive numbers of people in agriculture, and political difficulties. The next will be Bulgaria and Romania, which lag behind economically and politically. The outlook for the countries of the former Yugoslavia and the Commonwealth of Independent States cannot be predicted, but the Baltic states can be prepared for their inclusion as early as that of Poland.

A team of economic experts from several respected Western European universities cooperated in producing the paper. It is the third in a series of publications studying the development of European integration.

Gabcikovo Could 'Destabilize' Central Europe

93CH0078A Bratislava SLOBODNY PIATOK in Slovak
30 Oct 92 p 2

[Commentary by Igor Cibula: "Defensive Position?"]

[Text] The Hungarian Government succeeded in bringing the dispute over Gabcikovo into international focus so well that while protecting its legitimate interests, the Slovak Republic has found itself in a defensive position. A real danger looms on the horizon that independent Slovakia will gain more visibility on the international scene because of open Hungarian-Slovak problems. According to certain foreign observers, precisely those problems may destabilize the situation in the Central European area and cause complications with unpredictably dismal consequences. That is the very reason why the representatives of the member states of the European Community are so reserved and extremely cautious about accepting the role of arbiters in the Gabcikovo case.

In this conjunction it should be mentioned that Slovak officials have underestimated the influence of the Hungarian interest lobby in the world and above all, the prestige of Hungarian political leaders in Western European capitals. Even during their recent visits abroad, Slovak officials could not explain to their partners convincingly enough that Hungary's negative attitude toward the completion of the waterworks near Gabcikovo had not been adequately substantiated by any

expert and legal arguments. Thus, they surrendered that space to Hungarian offensive diplomacy which successfully exploited their passive approach to its considerable benefit.

In that situation Slovakia's position has not been enhanced by the attitude of Czech politicians who were sending signals to Budapest that the Gabčíkovo waterworks and its future was now Slovakia's own affair. Until recently Prague journalists had been the only ones in the Czech environment who fomented the aversion to that project, but now politicians have joined them. It is not known whether that expresses their loyalty to Hungary—as a future ally against Slovakia—or their vengeance against Prime Minister Vladimir Meciar for his indicated willingness to conclude a Slovak-German pact to terminate the stalemate in finding a solution to the open problem of the Sudeten Germans expelled from Bohemia.

In conjunction with the defense of the strategic state and political interests of the Slovak Republic, the opposition Christian Democratic Movement [KDH] should seize this opportunity. A chance is offered to it by Jan Moravcik, a representative of the HZDS [Movement for a Democratic Slovakia] in the office of the federal minister of foreign affairs, who met last weekend with the chairman of the KDH, Jan Carnogursky. At their informal meeting they discussed jointly the possibilities for helping Slovakia out from its defensive position in the conflict over Gabčíkovo. Carnogursky thinks it necessary to risk the completion of the water works "even at the cost of some adverse international reaction that would not last long." On that point the KDH chairman agrees with Vladimir Meciar's assessment, although Carnogursky blames Meciar's government for its covering up its standpoint on the completion of that project with statements by Julius Binder, director of the state enterprise Hydro-Economic Construction, instead of frankly declaring that Gabčíkovo is important for Slovakia.

The trial run of the Gabčíkovo complex will demonstrate its effect on the environment, which may serve also as an argument for the damming of the Danube. Another delay of that particular step would be against the interests of the Slovak Republic because thus far the Hungarian Government's conduct in this case did not allow for any compromise. Budapest unilaterally cancelled the agreement on the construction of the waterworks complex in Gabčíkovo-Nagymaros and has never demonstrated any serious intention to compensate its Slovak partner in case the Gabčíkovo water project is terminated. Slovak diplomacy was unable to translate precisely the above-mentioned circumstances to Slovakia's favor, which is considered a disadvantage in the defense of our interests.

Czech, Slovak Relations With Germany Examined
93CH0056D Prague METROPOLITNI TELEGRAF
in Czech 10 Oct 92 p 1

[Article by Zuzana Selementova: "On a Treaty"]

[Text] The idea that a future independent Slovakia will sign a new (and obviously better) treaty with Germany

has in the past few days become both proof of the reputed foresight of the Slovak political representation and also an opportunity for newly inspired mockery at the expense of Bratislava as to how it represents that policy so naively and incompetently. But we here in the Czech lands should not wonder if Meciar does not (again!) come out on top.

A unified Germany striving for a leading role in the newly forming European sphere after the end of the Cold War has always been one of the main supporters of the emancipation efforts of countries becoming independent. If Bonn was one of the first to recognize Slovenia and Croatia and in that sense also affected the atmosphere of the entire continent, it is hard to change such an image and reverse existing policies. One can thus expect that in the Slovak case Germany will be one of the first countries that will recognize its sovereignty. And after diplomatic recognition it is only a short step, even if only the first in a series, to working out and signing a new treaty between the countries, particularly when very favorable overall conditions for it have presented themselves.

This is not just a matter of the rather symbolic indemnification of the Carpathian Germans, even though it is also a matter that Bonn will have difficulty ignoring because of the pressure placed on it in connection with the parallel affair with the Czechs. But it is a matter of further economic interests, amplified by the geographic location of Slovakia. The Slovak area, even though a small one, some fine day will indeed begin radical economic reform and will then be enormously interesting for foreign partners. That is true because it can become an important stepping-stone for the huge markets still farther to the east with which it is connected by a relationship that is not at all accidental. Is it thus not relevant to suppose that Germany will seek to have the best possible relationship with such a future partner at the diplomatic and official level, too?

Zala Decries Czech Hegemony, Urges Independence

93CH0005A Bratislava LITERARNY TYZDENNIK
in Slovak 5 Sep 92 p 1

[Article by Boris Zala, former chairman of Slovak Social Democracy: "Czech Separatism and the Slovak Dilemma"]

[Text] Many people may consider my current standpoint in support of an independent Slovak Republic confusing at best. Nevertheless, it seems logical to my friends as well as to the readers of LITERARNY TYZDENNIK, which has always given me an opportunity to present my views to its readers in a comprehensive way. This past February, LITERARNY TYZDENNIK published my editorial which I had sent to the editors during my extended political stay in Bonn. In it I dealt with Czech responsibility for the Czechoslovak reconciliation. I predicated our coexistence on the following: "However, that calls also for open eyes, minds, and feelings on the

part of all Czech democratic forces because they must realize that the natural process of self-determination does not need to lead to disintegration but rather to changes of the state forms of coexistence; that such a process is not a conspiracy by allied sinister forces but merely the fulfillment of one of the fundamental civil rights—the right of national self-determination. A sign that this process is acknowledged as such will be seen when a movement appears on the Czech political and cultural scene in order to support in a straightforward and unequivocal manner the democratic, realistically organized efforts for reconciliation with the Slovaks. Such a movement would in fact lay the foundation for modern coexistence of both our nations; however, the Czech side lacks the motivation that stimulates Slovakia's legitimate yearnings for independence. It is not so much our national pride as our need to protect ourselves against hegemony. In essence, Slovakia has decided: either coexistence on the basis of equality—or an independent state."

The 1992 elections confirmed that no movement on the Czech scene can accept and enforce equal conditions for coexistence; by totally defeating the Civic Forum, the voters opted for Bohemia's separation. Klaus took that role upon himself in quite a heroic manner. He is resolute, and why should he not be? After all, this is his chance to prove his ingenuity as the creator and organizer of the one and only successful economic reform in postcommunist countries; by that, he gave a fresh lease on life to neoconservatism whose leaders will duly reward him for that (at least with the Nobel Prize). Under such circumstances, does Klaus need a Slovakia which demonstrates that his reform has been planned and intended specifically for the Czech situation and that within a certain time frame, and that his reform has only a local and not a universal purpose? No, to him Slovakia is a burden, as it is for those individuals who live with ecstatic visions of Bohemia as the last bastion of the West and who consequently feel that the rich West will and must uplift Bohemia to their level as soon as possible. No, they do not need Slovakia, particularly not a Slovakia that resists the Czech hegemony. And if they ever think whether Slovakia may be of any use to them, then it is only in terms of its advantage as a good future market for Czech goods. (In their personal as well as public statements the representatives of the Civic Democratic Party and the Civic Democratic Alliance said on several occasions that they would reconsider the idea of a common state under two conditions: Abolition of the law on power-sharing, and abolition of the ban on the majority veto in the Federal Assembly. In their view, then the federation could be functional. At that time I realized what they mean by "functional": domination and free way for Czech interests. But this is only to make the picture complete.)

Sure enough, there is also the Czech left wing which is fighting tooth and nail for a common state. But if we ignore the isolated Left Bloc—with which even the Slovak Democratic Left and much less so the Czech

social democrats and social liberals who are living under anti-communist pressures do not want to cooperate—there are only two political forces that want a common state. But what can they offer us? An analysis of their political line clearly shows that their struggle for a common state is not aimed at Slovakia but at the Czech voter. It is a simple calculation proceeding from their opposition status: If the common state survives, they will claim credit for their steadfast pro-Czechoslovak position. If the state falls apart, then it is almost certain that in a few years Bohemia's economic situation will deteriorate. Klaus's only argument will then be that it is due to inevitable consequences of the breakup. And then the above-mentioned opposition will get on a high horse: "Didn't we tell you—don't separate!" As the opposition, the Czech Social Democrats and the Liberal Social Union will come out smelling like a rose. But that does not concern Slovakia. In fact, I am not aware that those forces have offered any specific plans for coexistence that would be at all acceptable to the political forces in Slovakia or even in Bohemia. That is nothing but a domestic Czech game played for effect with the Slovak card.

Well, that is why I am skeptical. In an interview for *LITERARNY TYZDENNIK* in May, I explicitly said that if the Czech political structures understand integration "as an attempt at unification in conformity with the example, will, interests, and ideas of the stronger partner," then such a state has no purpose. It will lose its purpose and reach the breaking point. I have no doubts about that.

I have not changed my attitude: Of the two possible alternatives, the Czech public opted for the breakup, or if you prefer, for a divorce, not as a positive solution but because of its inability to change from uniformity to multiformity (can that be a protracted monarchistic anachronism which trusts only uniformity as the only possible form of well-appointed order, which may be controlled by the Prague bureaucracy? Luckily, today not even the Czech uniform can sustain this uniform...).

I did not evade the Slovak scene: All I can note is that even those people in Slovakia who are sincerely striving for a new federalism are without a partner. I do not doubt that most of the advocates of a common state have been inspired by Slovakia's genuine interests (economic, social, and so on) to fight for it. Nevertheless, after 70 years the reality of power politics has turned to different structures.

In the end, I am faced with a categorical question: What would I recommend to myself (and as a politician, to my followers and sympathizers) if the referendum on separation puts us in the spotlight? Then it will no longer suffice what many politicians like to say: "Let us follow the constitutional process, let the referendum decide!" They will have to give the citizen some advice whether to take the risk of an independent state—a risk which no

integration processes or any consequent confederative safeguards can mitigate because now our partner across the Morava River will be forever uncertain and his politics will always be determined solely by Czech interests—or whether to opt for the security of a common state where—considering Klaus's reform, the intolerant Czech right wing, the communist or nationalist labels attached to everything that rubs the offended bourgeois the wrong way, and the unwillingness or inability to build a state on the principles of friendship—the only certainty is the Czech hegemony.

In such a dilemma, it seems to me more dignified to take the risk of independence.

Creation of Cosmopolitan Slovakia Urged

93CH0038A Bratislava KULTURNY ZIVOT in Slovak
30 Sep, 7 Oct 92

[Article in two installments by Ladislav Kovac: "What Happened and What Is To Be Done?"]

[30 Sep p 7]

[Text] What happened was what few wanted. "Most Slovaks do not expect, do not believe, or do not suspect that those for whom they are ready to vote will bring about the end of Czecho-Slovakia" (NARODNA OBRODA 7 April 1992)—that is how we phrased our warning several times before the June elections. In vain. The Movement for a Democratic Slovakia [HZDS], which won in the elections, did not have the end of Czechoslovakia in its program. Lawyers—not just any lawyers, but two university professors, the director of the Government Office—challenged the notion that "confederation means the end of the common state." Another movement, Christian Democratic Movement [KDH], which basically has been determining Slovak policies during the past year and has been slowly dismantling the federation (thanks to well-considered, successive steps which were made in the correct tempo always at the most propitious time, its chairman commended himself), made a surprising turnaround before the elections and entered the elections with profederation slogans.

For two years the strategy, used against the Czech partners by two powerful men of Slovak politics, worked. Its essence was expressed already at the end of 1990 by Vladimir Meciar, following the first round of negotiations on power sharing: If the optimum of what we want is 100 percent, we shall start the negotiations with 250 percent, and after difficult negotiations (thundering and threatening) we shall delightedly announce to the public that we won 150 percent. For a year Jan Carnogursky has been applying the principle, which he allegedly, if we can believe LIDOVE NOVINY of 21 July 1992, explicitly formulated, that the Czechs must accept any kind of arrangement of mutual relations that will suit the Slovaks.

But then they hit a brick wall. As early as two days after the elections, after hours of futile negotiations, the victor

in the Czech elections, Vaclav Klaus, came to the conclusion that on the Slovak side he has partners who think and argue on a different level of logic, knowledge, and political culture than he and his group. It was may no longer be a matter of compromises putting his Nobel prize for economics in jeopardy; it was that compromises were no longer possible. As if a chess match were to be played between two differently constructed, incompatible computers: The impossibility of the game becomes clear after the first draw.

The incompatibility of logic and knowledge between the present Czech and Slovak political establishments is almost sufficient reason for breaking up Czechoslovakia. And there are other reasons. People are not computers; the computer system of our brain is but an obedient servant of our emotions. That is why politics is such a difficult craft. Politics is, among other things, a struggle for power, with victories and defeats. All higher animal species, including man, are so constituted by nature that after every defeat and every victory they experience a surge of emotions. A victor in a chess—or, let's say, a boxing—match can give full rein to his emotions; after a victory, a politician should do the utmost to suppress them. Especially if he was humbled by defeat shortly before. The first words of the victor in the Slovak elections on television were nothing else but a biological—for our species specific: verbal—expression of the emotions of triumph and revenge. Politically imprudent: the decision to close down the federal television, the exhortation to the deputies not to vote for Havel for president. They became a trigger that set off an emotional fire storm on the Czech side. As is almost always the case, in those who take pride in their rational thinking, the intellectuals. "Relief at the Decision," signed by part of the Czech artistic elite in support of the dismantling of the common state is, no matter how reasonable a face is put on it, mainly an expression of hurt feelings. The abdication of Vaclav Havel from the presidency was also an emotional reaction in a situation that required political sangfroid. A sad lesson about how the intellectual "apolitical politics" came to an end. With the abdication the last chance to save the Czechoslovak state was probably lost.

Emotions, I am afraid, are more than ever influencing the events on the Czech-Slovak political scene. The heated assertions by HZDS bigwigs that "the political agreements" between HZDS and ODS (what a euphemism for a clearly perceivable cat and mouse game!) are not destroying Czech-Slovak relations, but are raising them to a qualitatively higher level, the statement made before the world that "we do not want independence, we are being pushed into it" (Vladimir Meciar in LE MONDE on 7 July 1992), the various feverishly constructed proposals for a Czech-Slovak union, which, it seems, are not being taken seriously even by those who should be submitting them for official discussions, all that is reminiscent of a confused, emotional behavior of a child who did something bad and now is trying to avoid punishment. In the statements of Czech politicians and

writers that, with understanding, they are making it possible to realize the Slovaks' thousand-year-old dream of independence even though it hurts them (how many of them know anything about Slovak history and national aspirations?), that they are democratically bowing before the "fateful" will of the majority of Slovaks to have an independent state as they expressed it in the elections (although they must know that they are talking nonsense), one can sense, unfortunately, no longer that forbearance which has been irritating many Slovaks, but almost contempt: To us you are no longer partners with whom we can talk on the same level, former brothers Slovaks; with this feigned broad-mindedness we are ensuring our innocence and alibi before the world as well as ourselves. I write this with a heavy heart and bitterness: We do not deserve such an attitude and the future will not justify it. Those who observed in other connections what pleasure Vaclav Klaus takes in intelligent irony knew what to think when he characterized Vaclav Meciar as an excellent political partner.

It would be a comedy, were it not a tragedy.

The division of the state will have disadvantages for the Czech Republic, and severe consequences for the Slovak Republic. So says reason unencumbered by emotions, which is represented by unbiased experts in the West whose analyses we can read in our newspapers. But, how many couples in the process of a divorce listen to the advice of "independent experts" when they are under the sway of emotions? They can swear by cold reason a thousand times, they can even still love each other, but when it comes to dividing children and property, other emotions take over, animal instincts. It's the end of love and magnanimity. In the forests on the Moravian border, Czechs and Slovaks are quarreling about who is picking whose blueberries, on the Morava river about who is catching whose fish. For the time being, they are merely slashing tires on each other's cars (NARODNA OBRODA of 8 June 1992). What will happen when quarrels about dividing property worth millions or billions begin? "Velvet" division? Do you really mean it seriously, velvet revolutionaries?

Biologists are certain of one thing: The closer the biological species and the more similar their ecological niches, the more ruthless and brutal is the struggle for survival between them. Not only ethologists but also ethnologists know this: The greatest enemy is not a foreigner but a renegade, a heretic. Two economies, split off from one, will fight their way to the same markets, compete for the same customer; the more blows one can inflict on the other, the greater will be its chances to survive and grow.

Envy and anger will gradually replace feelings of belonging, goodwill, and even, why not say it, love. We Slovaks and Czechs, we liked each other. The distasteful thing about the apparently cold calculations of those on either side who are destroying our coexistence is precisely this: While making it appear they are taking no account of the positive feelings which link us together and making a purely rational decision, they are even now

possessed by negative feelings of individual provenance: vanity, arrogance, pique, bad conscience, or even hatred engendered by an inferiority complex.

How could all this have happened?

We already heard and read many analyses and reflections on this subject. Mostly they were perceptive. And most likely also correct, in spite of the fact that in many instances they contradict each other: The complexity of social reality is so great that two mutually exclusive views can express a partial truth about it. How not to agree with those who argue that citizens of Slovakia, troubled by the economic reform, their social certainties threatened, derailed from their socialist stereotypes, chose in the elections those who promised them quick affluence, and in a certain way also the restoration of the good old days when an all-powerful state paternalistically took care of them, in preference to those who were telling them that things must get even worse so that at some time, maybe, they would be better? But how not to agree at the same time with those who insist that to hold such an opinion is to underestimate the citizens (in that Brechtian sense—politicians would be all right, it's just the people who need to be changed), that the citizens were justified in giving their votes in the elections to politicians whose arguments they understood, and rejected those who did not know how to address them properly. Swedish writer Per Olov Enquist recently (NEWSWEEK, 9 July 1992) said that "today's politics means searching for father figures": Is there then something anomalous about the Slovaks and Czechs because they showed confidence in parties dominated by paternalistic leaders? But, how not to agree at the same time with those who insist that Czechs would not elect a Czech Meciar and a Slovak Klaus would not win in Slovakia?

What happened in the elections in the Czech lands and in Slovakia was what most probably had to happen, but not inevitably. The developments following the elections are a manifestation of what sociologists and historians call the law of unintended consequences. In Slovakia, the party that received 35 percent of the votes in the elections is being forced to implement the program of another party, which was supported by only 9 percent of the voters. It is happening against the will of most of the citizens. They can now do nothing but watch helplessly as the dream and work of previous generations is being destroyed.

I would not call this principle the law of unintended consequences. It does not have the inevitability of a natural law. The course of historical events is not the movement of an arrow which, when thrown, inevitably follows the trajectory determined by the angle of the throw. It is a constant meandering from side to side, a tortuous course made up of unstable points: From every point movement in various directions is possible, and which direction is chosen is decided by chance. Or, although on rare, but not negligible, occasions, by a considered human decision.

Therefore the question about what happened is inseparable from another one: What is to be done?

[7 Oct p 7]

[Text] In a recent discussion about the situation in Czechoslovakia, Pavel Tigrid talked about how many of the post-February emigres used to waste time and energy thinking about what happened in February 1949, whether it was inevitable and where mistakes were made. These musings led nowhere. The need was for action, not dwelling on the past. Same as today.

He is right.

Nature shows us how useful it is to learn from one's mistakes. Among the lower species the struggle for life is won by those who learn the most from their mistakes. Higher species, especially man, can learn from their own mistakes, but also from the mistakes of other members of their group. To discover mistakes in individual deeds and learn from them is not always easy, but it can be done: Our intelligence is sufficient for it.

Collective mistakes (how can such a term be even used at all!) are another matter. If social doings seem logical or even predetermined, it is not a testimony to the strength of our reason, but to its weakness: We are so constructed that we look for continuity and order even where they do not exist. In reality, social movement is determined by countless chances; and every chance then can decisively determine a further course of events; it is only that we ourselves in an ex post view put the determinism and inevitability into events. Although in their totality social dynamics have rationality, it will obviously for a long time escape understanding and characterization by means of our individual human rationality. Anatole France tells in one of his books how a defeat in one military encounter was decided by the fact that the wife of the commander happened to sleep with someone else. This fact was decisive not only for the course of the battle, but also for the future course of history; the author of the book knew it, because he thought it up himself, but did the military theoreticians analyzing the strategy of the battle also know it, or the historians who placed the battle and its consequences into the mosaic of historical "inevitability?"

I do not want to simplify too much. Social movement must be analyzed. We just must see the limits of our possibilities and thus also the problematic nature of "didactic value," or—to put it conventionally—"the importance in practice" of such analyses. The importance of many generalizations is that they satisfy our need to structure the world around us, or that they are esthetically effective, that they provide a spur to more reflections, rather than that they correctly describe some traits of the society. That importance is not negligible: It ensures the life of the culture.

Our society has been and continues to be a unique psychological and sociological laboratory. Valuable material, inviting empirical research by humanists as

well as reflexive essays by intellectuals, lies largely unused. The main thing that needs to be studied and thought about are not the defects and "maladies" of the society. The need is to study the consequences which social reality had for the individual: We need to try to understand how strongly each of us as an individual was damaged by the constant conditioning in laziness, pretense, lack of initiative, what the long years of training in hypocrisy and opportunism did to our biological protoethical leanings and moral imperatives implemented by European culture. Nor is it the point to search for society's "mistakes," the "mistakes" of cultural or political institutions, the "mistakes" of political parties. The point is to find and understand the mistakes which we made as individual people in those institutions and parties: These individual mistakes are the real, the only mistakes that were made and which need not be repeated in the future.

Perhaps the biggest mistake which many of us made after the November revolution was not to separate, but combine, the function of an intellectual and a politician. I myself, taking on a high political function, insisted with well-meaning naivete that I did not want to engage in politics. Some of my other friends, safely in the background, were thinking up brilliant political concepts and strategies, and were turning them over for implementation—or to be more precise: thought that they were—to active politicians; unfortunately, sometimes to people less brilliant, but on the other hand endowed with the ability to use and develop socialist habits and techniques of power. The illusion that in the post-November days we discovered to the world's benefit a new form of democracy—programmatically and organizationally vague political movements to take place of the classic political parties—belonged to the arsenal of the so-long-worshipped "apolitical politics," same as did the touchingly laughable view that politics is the highest form of ethics.

And so to the main point, what we must do: separate the mission of an intellectual from the mission of a politician. We need to find, or speedily train with foreign help, people able to perform the function of professional politicians. Let the intellectuals go on with their analyzing and theorizing; for the politicians, a lecture on the main attributes they need should be enough: to be strongly motivated for the profession of a politician, to know what politics is, and to have the prerequisites of the knowledge and personality a politician needs.

The task for Slovak politicians is to share in quickly building a strong, organizationally cohesive civic democratic party. Yes, intentionally with the same name and the same program as the party that was victorious in the Czech lands. A party that will not be thinking up anything, no social market economy, no third way, no "nationally specific road to capitalism," a party that will simply imitate that which brought success to other European democratic countries, and make an effort to bring us as quickly as possible to their level. And especially to get Slovakia on the road to where those

countries are heading—a European federation. Today, obviously not even those who contributed to the breakup of Czechoslovakia on the Slovak side have any doubt that in a federation with the Czechs our journey would be easier and quicker—therefore a part of this party's program should be an effort to have as few irreversible steps as possible in the present breakup of the federation, support for continuing Czecho-Slovak cultural unity, and the restoration of a political union with the Czech lands. (And let us hope that this will also become part of the program of the partner Czech party.)

This party needs to have professional politicians at its head as well as among its lower ranks. But it must be a party with a strong social background: It should win over for its program all those who want to escape, at work or elsewhere, the constraining iron band of the state dictate—therefore not only entrepreneurs, but also, for example, teachers and blue-collar workers. It needs to have intelligentsia among its ranks, but not for making decisions and directing, but for making expert analyses and programs: lawyers, economists, sociologists, natural scientists.

Other parties, too, need to put their activity on a professional basis. Dilettantism always has been our undoing; it has probably never hurt us as badly as today in politics. One can only marvel at how much legal nonsense has come out of the mouths of prominent lawyers, and how much ignorance is hidden behind the "synergetic" rhetoric of economists who are part of the present Slovak political establishment.

On what should the combined effort of politicians and intellectuals be focused? With clearly divided functions: An intellectual must analyze, think, propose solutions, and must communicate his ideas openly to the public; he should not engage in tactical maneuvering. A politician, while fully respecting the rules of the political game, must be pragmatic in his pursuit of the stated goals.

Barriers must be built against the authoritarian regime that will be gradually introduced here under the pressure of economic difficulties and social and ethnic discontent.

So that this discontent would not become the source of a new European flash point of violent conflicts, emotions must be held in check; aggressive rhetoric must be denounced; principles of decency, courtesy, understanding, dialogue must be introduced into the political discourse.

All means must be employed to prevent Slovakia, weakened as a result of becoming independent, from sliding in a free-fall down the continent's economic and cultural inclined plane from Central to East Europe. Today the East is an abyss of economic and spiritual chaos, and we are balanced dangerously on its edge. The most ill-considered and frightening of Vladimir Meciar's statements is what was heard at the general meeting of the Slovak Matica; if the West were to close its doors to Europe to us, Slovakia will be forced to turn to the East!

Independent Slovakia must not become a hermetically sealed paradise for incompetent and complex-ridden people, full of happiness at having rid themselves of Czech pressure and competition. On the contrary, it must be quickly exposed to pressures and competition coming from all of Europe. Transforming Slovaks into a bilingual nation, with English as the second language of education and communication, is an urgent need and a realistically implementable program. Education, especially higher education, must be internationalized; as many positions as possible in science and higher education must be filled through international search.

Those who would introduce and use the old practices to attain success and promote careers—toadying to the powerful, unprincipled conformity, joining the ruling party—must be prevented from attaining their goal, and if that is not possible, must be publicly pilloried. The public must be convinced that there is no reason to be silent and afraid any more. Dictatorships do not have the green light today. No longer is there a mighty oak in the East on which the powerful can lean.

Only intensified, continuous communicating with the world, a natural consciousness of world citizenship, and integration into the spiritual streams of Europe can save us from what is so threateningly hanging over our community: from a feeling of the futility of all endeavor, from reconciling ourselves to smallness and provincialism, from sadness and resignation.

Disagreement on Budapest TV Programming

93CH0035A Bratislava SZABAD UJSAG in Hungarian
2 Oct 92 p 3

[Article by Peter G. Feher: "UJ MAGYARORSZAG: The MPP Has Written Its Letter"]

[Text] The Hungarian Citizens Party [MPP] of Slovakia has written a letter to Television President Elemér Hankiss expressing concern over the new chapter in the history of the Hungarian media war, in the course of which "representatives of Hungarian minorities beyond the border"—as they put it—protest the television president's actions relative to the Panorama show. Thereafter the letter states that the MPP agrees with the TV president's viewpoint regarding Panorama. It further states that the MPP has experienced the consequences of the Panorama broadcasts at the time of the two free elections and during the time in between the two, to its own detriment. At the same time, the letter expresses joy over the fact that the television leadership is preparing a program whose purpose it is to use a different approach in reporting on the ongoing process in Central Europe.

We respect, of course, the views of the MPP and the views of all those who support this political grouping. There are not many of them, because at the most recent Slovak parliamentary elections they acquired only 2.3 percent of the votes, a percentage not enough to seat even a single representative in the Pozsony [Bratislava]

legislature. A decisive majority of the Hungarian populace in Slovakia—75 percent of the Hungarians residing there—voted for the Coexistence Political Movement and for the Hungarian Christian Democratic Movement. In doing so they cast 7.3 percent of all votes to be cast, and acquired representative seats in the Slovak parliament. Hungarian voters have thus expressed their views of the past activities of the MPP, and about the legislative role performed by the MPP in the previous parliament. Although the MPP would have had an opportunity to do so, it did not run in the Slovak elections jointly with the other Hungarian parties. Had they done so, the Hungarian parties would have received 10 percent of all the votes cast, and would thus have become Slovakia's third largest political grouping. The way things happened, however, the MPP had divided the Hungarians of Slovakia, albeit only to a small extent. The result: the MPP became a minority within the minority.

One could tell during the election campaign that the MPP had no chance to win in its struggle against the coalition of Hungarian parties, a coalition that also included the Hungarian People's Party. For this reason several people recommended that the party abandon its election struggle. The MPP has not done so, however, because—as many believe this to be the case—it had hoped to acquire more than 2 percent of all votes, thus becoming eligible for state support, even if it did not acquire 5 percent of the votes required to be seated in parliament. The MPP's calculation of obtaining more than 2 percent of the vote has indeed been realized.

In the aftermath of the Slovak elections the defeated MPP is trying to blame others. Undoubtedly, the ratings of the Panorama TV show are extremely high in Slovakia just as they are in Hungary, and in Hungarian areas in neighboring countries; for this reason the editors of the show struggle to maintain the Saturday morning repeat broadcast of the program. Including this consideration, we should not dispute the fact that Hungarians of Slovakia have reached an independent decision when they pronounced judgment over MPP politics.

Just one example: A leading politician of the MPP interpreted Lajos Fur's speech delivered in Miskolc as aiming to change the borders by force. The interpretation omitted passages of the text in which the defense minister referred to international law, legality, and peaceful coexistence with our neighbors.

One could hardly blame Panorama for this kind of politics pursued by the MPP.

Hungarians Open Disputed Komarno City College
93CH0035B Bratislava UJ SZO in Hungarian 26 Sep 92
pp 1, 3

[Article by "bodnar": "Komarno City University Opened; History Is Being Written"]

[Text] A framework devoid of ostentation, fanfare, and pompousness, yet a ceremonious simplicity commensurate with the event—this might be the best way to characterize that barely an hour long period in which the Komarom [Komarno] City University opened, and the invocation of its first academic year took place in the grand auditorium of the Jokai Theater.

After a piano solo and a recitation of Lorincz Szabo's poem entitled *Nyitnikék*, Arpad Szenassy, vice mayor and chairman of the Schola Comaromiensis Foundation, welcomed those present, including representatives and teachers of the Apaczai Csere Janos Teachers Academy of Gyor, the Gardening and Orchard Management Academy of Kecskemet, and of the Benedek Elek Nursery School Teachers Academy of Sopron, and, of course, the Hungarian students of Czechoslovakia whose admission test results officially qualified them as of yesterday to become correspondence students of the above Hungarian institutions of higher education, but—as we have described this in our previous writings—would be studying and consulting here under the auspices of the City University. The audience included 10 young men about to enter the two-year preparatory school for the performing arts, with the effective support of the Jokai Theater and also under the auspices of the university.

"History is being written in these moments," according to Istvan Pasztor, the city's mayor. "As long as no other opportunity was given to us, we have chosen this one. The City University came about as a result of the labor of many; the university itself is actually a kind of organizing office. We do not yet have a real university, it could be that we are not going to live long enough to see a real university, but we are working at having one. I, personally, am hurt by the fact that relative to our City University there are many who do not want to understand the fact that the university does not exist to counter something, but to achieve a purpose. And that purpose is to enrich ourselves in spiritual things."

Rezso Szabo, the acting director of the City University, had this to say: "The representative body and the mayor of the City of Komarom have understood the message of these days, they sensed a societal need when they provided a home for an institution that gathers young people and that serves the purpose of spreading knowledge, a City University that is customary to have in large cities of other European states—one that provides clout to a given city." He went on to discuss Komarom's rich history, as well as its cultural and intellectual history, then had this to say: "Having assessed the situation, the Association of Hungarian Educators in Slovakia recognized that teaching in the native language was going to be endangered in Komensky's homeland unless it took immediate steps. Since all attempts to make arrangements in Czechoslovakia had failed, the Association sought to resolve the problem in Gyor and Sopron, and not without results. The Kecskemet Gardening and Orchard Management Academy is going to assist in training agricultural professionals. The Komarom City

legislature agreed with the association's initiative when it unanimously approved a proposal to establish the City University, and founded the Komarom City University as of 16 July 1992."

In his brief remarks SZMPSZ [expansion unknown] President Laszlo Pukkai thanked the city legislature, the autonomous municipal governments of the country district, and all those who provided moral and financial support to the establishment of the institution. Thereafter representatives of the Sopron Academy's faculty walked up to the stage, where Gyongyi Bako, the director of the institution, delivered a brief ceremonial address recalling the spirit of Comenius, then called upon the correspondence students about to begin their studies to take their oath. After taking the oath the Sopron Nursery School Teachers Academy accepted all of the 47 young and old ladies as its students.

In addition to these students, the Kecskemet academy accepted 38 students at the Komarom Consultative Center, and 45 students are going to meet in regular intervals with their teachers in Hungary from the Gyor Teachers Academy. Despite all the obstacles placed in the path of the University by Slovak circles through newspaper articles and official actions, a practice that has not come to a halt these days, The City University Komarno, i.e., the Komarom City University has opened its door consistent with the provisions of the local government law.

City universities are not part of the state educational institutions network. Thus the laws governing education do not apply to these universities; city universities do not grant academic degrees and do not serve as substitutes for retraining, according to a position statement issued yesterday by the Slovak ministry having jurisdiction.

Hungarian Bookstore Reopens; Most Books Slovak

93CH0035C Bratislava UJ SZO in Hungarian 3 Oct 92 p 1

[Unattributed article: "Hungarian Bookstore in Kosice Reopens"]

[Text] After many long months of waiting the Hungarian bookstore at No. 14 on Kassa's [Kosice] main street will be reopened on Monday at 1000. Magda Csomor, the new manager of the shop, told this newspaper that the Slovenska kniha [state-owned chain of bookstores] took this step in response to demands made by the City of Kassa.

The store manager does not know why the bookstore had to be closed at this busy place, but she revealed that her superiors were planning to provide an inventory of books, 75 percent of which would consist of Slovak books, and only the remaining 25 percent would be Hungarian publications. Moreover, not even this arrangement is certain, because insofar as the store manager knows, the Slovenska kniha has not entered

into an agreement with a single Hungarian book publisher or book distributor in either Slovakia or in Hungary; accordingly, in the final analysis, doubts exists whether there is going to be a Hungarian bookstore in Kassa at all.

The store will be open from 1000 to 1800. The three employees of the store will also await shoppers on every second Saturday.

'Frustration' of Gal Over Citizenship Problem

93CH0056C Prague PRAVO LIDU in Czech 14 Oct 92 p 12

[Interview with Fedor Gal, former chairman of Public Against Violence, by B.D.; place and date not given: "The Prague Trauma and the Frustration of Fedor Gal"]

[Text] "The state has fallen apart and there is now nothing to talk about!" exclaimed Fedor Gal, whom our correspondent found by accident in the Ostrava bookstore Renesance and with whom she improvised an interview. "Understand me," he explained, "you have before you Gal as a teacher, and Gal as a politician no longer exists. Moreover, I do not wish to seem like Remek because I think that what has been said should not be repeated. And I have already publicly put forth my views and my intentions."

[B.D.] And what about Gal as a person? Just how does a Slovak feel today in Prague, particularly such a federalist that his own students as a joke nicknamed him "the Gusta Fucikova of the joint state"?

[Gal] I feel fine among the students and my personal friends, of whom I have many in Prague. But I did not come to Prague because of the teaching, but because I was forced to leave Bratislava. This frustrates me. Moreover, I have suffered a trauma from the fact that the question of citizenship of the two independent republics has not been settled legislatively. There is a dilemma connected with this; either I will have to accept Czech citizenship or I will have to apply for a work permit. This is a problem which affects about 360,000 Slovaks who are living in Bohemia today, according to the statistics. Nowhere is it said, however, that their influx will not increase. How is this reflected in the labor market? Problems may arise and it will be bad. Slovak emigration into the Czech lands moreover has the potential for political abuse. I know that Mr. Zelenay in Brussels has already used their situation as a political theme.

[B.D.] Do you think that open conflicts are a realistic possibility?

[Gal] Yes. There are signs of very severe conflicts appearing, not between the Czechs and the Slovaks, but rather between the Slovaks themselves.

[B.D.] Do you still see a chance for a different development?

[Gal] Three of them, right off. The first is in the reactions of the international community because without the input of foreign capital we will not budge from this spot. The second chance is in further democratic elections. I rely the most, however, on the third chance which consists of people's wisdom and in the conviction that once someone has tasted freedom they will never allow anyone to take it away from them.

New Political Vocabulary Related to Old Ideas

93CH0056B Prague SVET HOSPODARSTVI in Czech
17 Sep 92 p 1

[Commentary by Milos Kubanek: "Slovakia and the Vocabulary"]

[Text] The inventory of words, code words, slogans, cliches, and turns of phrase which we use in speaking about political and economic matters many times says more about us than the constructions of thought which we create from them. Involuntarily they betray the currents of ideas and the values and goals to which we subscribe, as well as the traditions and historical period which are our points of departure. They often also reveal our future attitudes and behavior. History does not, however, repeat itself, even though the vocabulary always comes back. It is like an eternal cycle which repeats the method of thinking, the motives of behavior, and people's reactions to similar situations.

In listening to the political vocabulary of the current Slovak representatives, it is as if we returned to the time of the first five-year plan. The similarities are startling. In a powerful stream, the mass media crank out for us Slovak code words of the type: external and internal enemies, the only good government, the criminal former government, a happy future, the dark past, a good and provident leader, self-censorship, a unified people (or herd?).... There is no doubt. That which in the light of optimistic theories on the civilizing development and instruction of man seemed just a few months ago to be absurd is today a hard reality. The thinking and spirit of the 1950's has returned in Slovakia. The accompanying guide to their vocabulary is fear.

The economic vocabulary used by the current Slovak politicians so far is fortunately not as extreme. Slogans such as social justice, the policy of full employment, centrally directed structural policies, the control of private enterprise, a highly progressive taxation system, or property control of the state in enterprises befits rather the inventory of words for direction by the state than a planned economy. In comparison with the political sphere, it is even more gratifying that from time to time there is a timid appearance of the word "market." What accompanies this type of vocabulary is, of course, usually a lack of economic viability and economic collapse.

History does not repeat itself. Not even as a farce, as the representatives of the opposition lately affirm, together with Marx, for understandable reasons. Only dramas and farces repeat themselves, and it is just this that

constitutes the hope for Slovakia. It thus depends primarily on what transforms its history. The vocabulary which its main protagonists use says a lot about this.

In the beginning, there was, after all, only the word.... What will there be at the end?

Foreign Investment in Post-November Period

93CH0002A Prague DOKUMENTACNI PREHLED
in Czech 7 Sep 92 pp H9-12

[Unattributed article: "Foreign Capital Entering the Czechoslovak Economy"]

[Text] From the standpoint of its external economic position, the Czechoslovak economy was characterized in the prereform period by a gross indebtedness of about \$8 billion (\$7.9 billion in 1989 and \$8.1 billion in 1990) with the expectation that at the end of 1991 it would increase to the level of \$11 or \$12 billion. At the end of 1990 the status of the hard currency reserves was relatively low (1.3 billion korunas [Kcs]). It was anticipated that it would be necessary to increase this amount in 1991 to a level of at least \$2.5 billion, which would on the one hand take care of the impact of the changes in external conditions and also would be a guarantee of satisfaction of the expected growth in demand for hard currency resources.

The estimate of the overall level of foreign financial resources which flowed into the CSFR in 1991 can very roughly be put at an approximate amount of \$3.2 billion. The main donors were international financial institutes (the International Monetary Fund and the World Bank), groups of states (the G-24 group of countries and the European Community), governments or governmental institutions (bilateral intergovernmental assistance), and foreign entrepreneurs (direct foreign investment).

Loans From International Financial Institutes

The International Monetary Fund (IMF) at the beginning of 1991 provided Czechoslovakia with a relatively high credit rating and a loan of SDR (Special Drawing Rights) 1.25 billion, which is roughly \$1.79 billion. This loan was divided into three parts:

- A standby arrangement of SDR 619.5 million (that is, roughly \$886 million).
- A credit under the so-called Compensatory and Contingency Financing Facility (CCFF) of SDR 483.8 million (that is, roughly \$687 million).
- A contingency financing facility element (risk credit) linked with an emergency credit and covering a possible further growth in the price of petroleum in the amount of SDR 147.5 million (that is, roughly \$211 million).

The CSFR thus acquired \$1.31 billion from IMF sources in 1991, which affected positively the development of the balance of payments and contributed to relatively better results in the external payment position than had

been expected. The hard currency reserves at the end of 1991 amounted to \$3.4 billion, of which the SBCS [State Bank of Czechoslovakia] hard currency reserves were \$1.4 billion, the gross indebtedness amounted to \$9.3 billion, and in the course of 1991 there was a surplus achieved in the current account of the balance of payments.

The World Bank credits were extended or prepared in several blocs and were oriented both to support the balance and stability of the balance of payments or to cover its deficit and further to support the development of the financial sector and likewise to finance the development and modernization of other selected sectors of the Czechoslovak economy (the energy sector, telecommunications, and the field of the environment). The "SAL" (Structural Adjustment Loan) structural loan was provided to the CSFR in an overall amount of \$450 million, of which last year the first amount of \$200 million was used up. This is a credit designated to cover the deficit in the balance of payments, to support structural changes in the Czechoslovak economy, and for the process of its transformation. Drawing on the second and third portions (both at a level of \$125 million) is anticipated in the course of this year. The "Energy" loan (\$200 million) is designated for the solution of energy problems in the Czechoslovak economy.

Loans and Financial Assistance by Groups of States

The group of 24 most advanced countries (the G-24) in its summit in Rome at the end of 1990 promised financial assistance to Czechoslovakia amounting to \$1 billion as support for the introduction of the internal convertibility of the koruna and the implementation of other steps in the economic reform. It was agreed that the activities of the G-24 group will be coordinated by a commission of the European Community and will be implemented in roughly the following amounts: EC countries (bilateral) about \$500 million and other countries of the G-24 (bilateral) likewise about \$500 million.

At the end of last year Czechoslovakia signed an agreement with the EC Commission on providing a loan of 375 million ECU's [European Currency Units], that is, roughly \$248 million, which was already provided and used up this year. The other G-24 countries have so far provided only roughly \$90 million to the CSFR in 1991 within the framework of the promised amount given above.

On the initiative of the G-24 group of countries in 1989, the PHARE [Economic Reconstruction Aid for Poland and Hungary] program was created as an assistance program for restructuring the economies of, first of all, Poland and Hungary and then after 1990 also Bulgaria, Romania, Yugoslavia, and the CSFR. The program is supported financially by the EC and all its activities are coordinated by the EC Commission. In regard to the fact that the CSFR entered the PHARE program only in the second half of 1990 and still did not have its survey of priorities and financial expenses fully prepared for their

resolution, all activities of the program were shifted to 1991 (other than the Tempus education program). Its framework was formed by the allocated financial resources amounting to ECU99 million (that is, about \$125 million) which were allocated for the following fields (in millions of ECU's): restructuring and privatization (19), the development of small and medium-sized enterprises (20), restructuring the labor market (15), the environment (5), energy (5), telecommunications (6), the Tempus program (9), and general technical assistance (2). The allocated amount of ECU99 million was only partially used last year and so far only in three areas: restructuring and privatization, Tempus, and general technical assistance. In June 1992 the EC commission approved a dedicated loan for the CSFR of ECU30 million (Kcs 1.1 billion) to benefit the "General Instrument for Technical Assistance." In 1992 the total value of the assistance for the CSFR within the PHARE program will reach ECU100 million (Kcs 3.7 billion). The financial resources are provided in the form of grants for the distribution and use of federal institutions. The EC commission has no influence on the further division of financial assistance between the individual republics.

Foreign financial assistance provided in the form of the so-called noninvestment or technical assistance is implemented mainly within the framework of bilateral cooperation with advanced countries and to a certain degree within the framework of cooperation with international organizations (particularly organizations of the United Nations system, the OECD, and NATO) and nongovernmental organizations in the form of financial contributions from the regional initiative resources and endowments from the private sector as well. It is characteristic for this type of foreign aid that only a very small part of the resources provided is in the form of direct materials and effectively usable for Czechoslovak entities since the majority of them are disbursed by the governments of the donor countries or nongovernmental institutions. The expenses covered from the given funds are usually those for activities at foreign schools and educational, vocational guidance, and consulting institutions carried out to benefit the CSFR; for the work of foreign experts, professors, and advisors in the CSFR; for financing withdrawals of Czechoslovak students, teachers, etc. As expressed in numbers, the overall amount of this noninvestment or technical assistance provided to the CSFR on a bilateral or a multilateral basis fluctuates around \$300 million for the years 1990-91 and around \$870 million for the period 1990-93.

Direct foreign investment as the most important and currently the most extensive form of foreign capital participation in the Czechoslovak conditions is implemented mainly through joint ventures. A precise determination of their status and influx is complicated by the current system of documentation which cannot go into all the details of the immediate situation, not only from the standpoint of the number of foreign participants, but particularly from the standpoint of the amount of functioning capital in comparison with the capital subscribed

and understandably not even from the standpoint of the number and capital participation of the foreign participants in the second round of the small-scale privatization. In 1991, according to preliminary data on the capital account of the balance of payments, the influx of direct foreign investment in the CSFR amounted to roughly \$600 million. At the end of the period given there was a positive tendency shown in the reorientation of the main capital flows from the field of services into industrial production. Within the Czech Republic, this is mainly the automobile industry, the production of technical and pure gases, the manufacture of machinery and equipment for the energy industry, and the production of plate glass. In the Slovak Republic, it mainly concerns other industrial production and the chemical and rubber industry. In this aspect the input of foreign capital into organizations of the individual branches of industry is very uneven in both republics.

Contemplated Ratio for Property Division Doubted
*92CH0981B Prague METROPOLITNI TELEGRAF
in Czech 18 Sep 92 p 3*

[Commentary by Marcel Pok: "Czech Interests Threatened"]

[Text] The proposal to divide assets between the Czech and Slovak Republics in a ratio of 2:1 does not express the true relation between the two economies and the investments made from the federal treasury to industrialize Slovakia. There is no need to mention investments made by the Czech industrial sector before 1948, because even restitution does not go back further than that year. Up until 1918 Slovakia was one of the most backward countries in Europe industrially, when private and state capital initiated industrialization.

Following the communist putsch in 1948, it was the thing to do to initiate socialist and youth construction projects, above all in Slovakia. In a unitarian state, with an asymmetrical state administration structure (a Slovak national council existed), there could be no redistribution of profit from the national incomes, because only one budget existed. It was not until 1968 when Law No. 148 on the Czechoslovak Federation was passed that three budgetary spheres were created: the federal, Czech, and Slovak spheres, which redistributed the surpluses from national incomes disproportionately to the benefit of the Slovak Republic.

For 24 years many modern enterprises were built in Slovakia. Only the declassification of all statistical data for the entire 24 years would realistically make it possible to estimate the amount of investments that went to Slovakia from the Czech Republic's budget surpluses. However, we can use a rough comparison, made possible by the most recent publication of the budget deficits and surpluses. The Czech budget shows a surplus of 6 billion Czech korunas (Kcs) while the Slovak budget shows a deficit of Kcs1.9 billion. That ratio alone shows the level

of disproportion. There was good reason why the relationship between the currencies of the Slovak and Czech Republics was set at a ratio of 3:1. The new philosophy of economic transformation in Slovakia indicates further prejudicial treatment, a slowdown, and a drop in the performance of the Slovak economy. That fact is also reflected in the relation between the currencies.

That rough idea of future development is essential for the present division of assets. In the delimitation, the 2:1 ratio could be interpreted as a political concession to Slovakia, but it is not in keeping with protecting sovereign Czech interests. The ratio clearly impoverishes every Czech citizen, and consequently the economy of the whole republic.

A brief historical genesis of socialist redistribution, and thus investments into the Slovak economy, should be taken into consideration when the assets are being divided, and the ratio should be set at around 3:1. It is also absolutely necessary to consider a quick division of all mutual assets. It is beginning to seem that the Slovaks' signals in relation to the nondivision, or as slow a division as possible, of the Army and the Interior Ministry functions could lead to the total destabilization of the social situation. It is absolutely necessary, especially in regard to the assets of these repressive components, to use the amounts of the classified investments into those departments as a base, because the amounts would make it possible to derive the subsidies made from the budgets of the individual republics during the period of the federation.

One of the basic steps that should be taken, parallel to the gradual steps while the division is being implemented, is the creation of a practical mechanism that would incorporate guarantees for normal trade relations following the separation. The mechanism of import and export credits, which will have to follow in trade relations, can be derived from Termeulen's theories; his plan for the stabilization of relations for the League of Nations was fully functional. The potential lack of confidence at that time was qualitatively similar to the present situation. Confidence in private investments was bolstered by state guarantees to the benefit of importers. It has been said that confidence does not exist, but is created; therefore, even with the uncompromising approach of both sides to protect the interests of their republics, it would be beneficial to create mutual confidence using similar measures.

Local Budgeting, Taxation System Discussed

*93CH0019D Prague EKONOM in Czech 18-24 Sep 92
pp 48-49*

[Article by Vera Kamenickova, Ministry of Finance of the Czech Republic: "Local Budgets for 1993"]

[Text] In connection with the introduction of the new taxation system as of 1 January 1993, there will even be changes in the standings and financing of local budgets. The philosophy of the approach to local budgets for next

year is based on a certain notion of a "goal" solution and on the possibility of changes which could occur from year to year. Limiting factors thus become the demand to avoid "large leaps" in the volume of local budgets, the "inexperience" of financial offices and primarily the uncertainty in estimating the functioning of the new taxation system and the difficulty of estimating the reactions of economic entities to the changes being prepared. A certain role is also played by the progressing transformation of the Czechoslovak economy and its impacts upon efficiency and naturally also the uncertainty having to do with anticipated changes in the constitutional arrangement.

The foundations of the new concept of local budgets develop from several main principles. In this area, economic theory provides a number of findings. Nevertheless, a look at the realistic arrangement of fiscal relationships in developed countries indicates that the answer is not always unequivocal. Frequent changes in the tax systems in these countries are proof of this, even though they are not comparable with the situation in Czechoslovakia in terms of their scope.

However, the fundamental theses are undisputed. This is primarily a case of dividing jurisdictions while safeguarding public property between the republic and local levels and transferring deciding authority as close to the citizen level as possible. The central government plays an irreplaceable role in assuring stabilizational and redistributive functions. To implement these functions, it is the sole possessor of adequate information and instruments. Its function in guaranteeing the minimum level of consumption of basic public property for its citizens across the entire territory is undisputed, reflecting the principle of civic solidarity.

Local offices assure the availability of public property under the direct control of its users and, thus, under the most effective control. Under Czechoslovak conditions, the transfer of authority to the closest proximity of the citizenry is even connected with certain restrictions of authority for okres offices. Okres assemblies should be making decisions on safeguarding those public property items which benefit more than one community or municipality and whose financing exceeds the possibilities at the disposal of a single community. The assembly should not be deciding on redistributing subsidies among the communities and towns, with the exception of cases where communities or towns agree to pool their resources for purposes of a common investment or other activity.

It is necessary to develop the principle of self-administration not only on the basis of increasing the actual revenues collected by towns and communities, but also by increasing their freedom of decision regarding the use of such revenues in conjunction with the principle of responsibility toward voters. The aim is to leave the maximum amount of decisionmaking regarding the

structure of expenditures in community budgets to self-administrative bodies which are governed in their decisionmaking by the volume of their revenues, by legal standards (wage regulation, the granting of social payments, etc.), and by the preference of their citizens.

The sources of revenue for local and municipal budgets should be combined because they thus protect against any possible fluctuations in the size of the individual revenue source.

Balancing the differences in revenue capacity between individual local entities must be oriented toward assuring a minimum level of per capita consumption of basic assets throughout the republic. This tendency is an expression of the principle of civic solidarity.

A complete balancing of historically originating differences in amenities which exist in communities and towns is in conflict with strengthening the independence of communities and towns. The measure of redistribution should not violate any material interests these units have in forming their own sources of local and municipal budgets and, in a specific year, should be in harmony with the intentions of macroeconomic policy.

Proposal for the Structure of Revenues for Local Budgets

The revenue base for local budgets is made up of the following sources:

1. Actual Revenues

- Tax on real estate.
- Revenue from budgetary and contributory organizations.
- Administrative and local fees.
- Proceeds from the sale and rental of community property.

These are resources, the size of which the local government can more or less influence within the framework of statewide rules. Room for this is given by the possibility to provide exemptions, tax relief, and, something being contemplated for the future, the possibility of not only decreasing, but increasing rates.

2. The Yield of Selected Statewide Taxes

The purpose behind this step is to connect at least in part community revenues and municipal revenues with the development of the state budget in a given year and to thus protect the state budget against specific deficits in the event tax revenues decline and, at the same time, protect local budgets against inflation. A certain disadvantage here is that revenues from this source can change over time in connection with economic developments and, for communities, the size of this revenue is, to a certain extent, uncertain.

The following types of taxes can be considered:

- Individual income tax.

- Tax on the income of legal entities.

The choice of shared taxes is governed by the magnitude of its yield and by the possibilities of administering the tax.

As far as the budgetary determination of the tax yield is concerned, the following possibilities exist:

- The entire yield could be credited to community budgets as a whole.
- A certain portion of the yield from the tax would remain within the state budget.

Determining the community share in the tax yield:

- With respect to the individual income tax, with the exception of the tax on business, based on the place of residence of the taxpayer.
- With respect to the individual income tax based on business activities and the tax on the income of legal entities, according to the location of the enterprise.

The advantage of this method of crediting the yield from statewide taxes is that the community has an interest in developing appropriate economic activity on its territory. The disadvantage is a considerable unevenness of revenues for individual communities (there are communities which are mostly dwelling communities and there are communities with a great concentration of economic activity).

After 1992, consideration can be given to the individual income tax, the yield from which would be retained by the okres in which it was collected and would be divided among the communities according to the number of inhabitants. As the work of financial offices becomes more perfected, it will be possible to credit the yield from individual income taxes directly to individual communities.

3. Compensation of Expenditures for the Conduct of State Administration

This is a contribution from the state budget to compensate for the realization of activities which the central government transfers to the local level. This has the form of a special-purpose subsidy which need not, of course, cover the total expenditure connected with this activity. It would be granted in connection with categorizing communities by size group.

4. Compensation of Expenditures for Social Payments From the State Budget

5. Special-Purpose Balancing Subsidies

These serve to create conditions for assuring standard levels in education, social welfare, and public health. Of the anticipated expenditures for education within the jurisdiction of local budgets, the amount ascribed to each individual student of kindergarten schools and basic schools is determined and the budgeted amounts for

education are distributed either among the okreses according to the number of students or according to the number of schools. The okres then divides these funds either in accordance with the same principle among communities or directly among schools. In the case of expenditures for social welfare and public health, the procedure is similar; the key for distribution is the number of people (beds) in institutions of social welfare and in health facilities and the funds are acquired either by the appropriate facility or by the community or possibly the okres.

6. Nonspecific Balancing Subsidies

These are intended to equalize specific differences in the revenues of local and okres budgets in 1993 in comparison with 1992. The amount of these subsidies would even reflect the intentions of stabilizational macroeconomic policy for the given period.

7. Resources Based on Financial Market

These include the issuance of municipal obligations and bank credits, accompanied by the possible utilization of the contemplated establishment of municipal banks to cover differences between the actual and market interest rate.

Limiting Factors

The possibilities of changes in the revenue structure of community budgets are limited for 1993 by several factors. These include particularly the more difficult conditions for estimating economic output and the resulting tax yield under conditions of an economy which is transforming itself and under conditions in which a new tax system is being introduced. The estimate of the tax yield is made still more difficult as a result of the significant amount of uncertainty regarding taxpayer discipline under the new conditions and in view of the administration of taxes during the transition to the new tax system.

Another factor influencing tax revenues this year is the gradual change in ownership conditions. In view of the gradual finalizing of the formation of tax offices, it is unrealistic to require them to break down tax revenues according to the taxpayer's place of residence as early as this year.

Compared to the previous period, the estimate of the overall volume of local budgets will differ as a result of the expanded impact of indirect taxation on virtually all goods and services, something which will be reflected in the prices of goods and services purchased by local governments and in the expanded tax obligations of budgetary organizations which will have to be allocating funds to three newly developed funds (the social fund, the health fund, and the employment fund).

A very important role will obviously also be played by expenditures connected with the possible new constitutional arrangement. This will not only influence the state budget, but also local budgets.

Extreme Right Seen Becoming More Radical*93CH0079B Budapest NEPSZAVA in Hungarian
12 Oct 92 p 4*

[Article by L.B.: "Is the Right Becoming More Radical?"]

[Text] The Committee To Do Justice for the Martyrs is starting a new newspaper entitled *MAGYAR FELTAMADAS* [Hungarian Resurrection], to replace *SZENT KORONA*, the newspaper that had been discontinued for the time being. The new newspaper is to appear next Tuesday and will be more radical than its predecessor, according to editor in chief Imre Bosnyak. *SZENT KORONA* lead editor Gyorgy Farkas will become his deputy. The essence of the organizational change is that *SZENT KORONA*'s accumulated debt will remain with the Hungarian Performing Arts Group Small Cooperative, and the Performing Group's supervisory authority will be discontinued. From the standpoint of change it is important that the radical faction has gained strength in the National Alliance of Hungarians due to the election of Imre Bosnyak as the Alliance's honorary president, and Smallholders Party politician Csaba Jozsef More as managing director. The influence of a moderate faction that has evolved under the leadership of National Party Chairman Istvan Balazs has declined, and since the National Party accepts neither Torgyan nor Csurka, its relationship to the Alliance also becomes questionable. They are starting a new newspaper entitled *RIADO* [Alarm]. Insofar as the substantive content of *MAGYAR FELTAMADAS* is concerned, Imre Bosnyak said that it will be the mouthpiece for right-wing radicalism and for revolutionary ideas. This is why Petofi's poem "The Sea Has Resurrected" is going to appear on the front page of the first issue. The Right believes that no system change has taken place, and in its view the revolution that began in 1944 and broke out in 1956 has not come to an end. Responding to our questions Bosnyak said that the meaning and timeliness of the reviving watchword "we will start again in March" is becoming increasingly clear to members of the Alliance. At this time, however, they must not act hastily, but only in a well organized manner.

"I, too, have a right to express my Hungarian identity. If the things I am doing amount to fascism or anti-Semitism, then I agree that that's what I am, but I will not betray my Hungarian race," the new editor in chief concluded his program statement.

Two-Thirds of MDF Members Said to Back Csurka*93CH0079A Budapest NEPSZAVA in Hungarian
11 Sep 92 p 4*

[Interview with Jozsef Debreczeni, Hungarian Democratic Forum National Assembly representative, by "horvath" on 10 September 1992 in Kecskemet: "Is the

MDF's Next National Meeting Going To Be a Watershed Event? If Csurka Wins, Debreczeni's Group Will Leave on its Own"]

[Text] After questioning Istvan Csurka on last night's television program *OSSZTUZ*, journalists grilled National Assembly representative Jozsef Debreczeni, a member of the MDF [Hungarian Democratic Forum] liberal wing, and one of the hardest hitting critics of the Csurka study. At one point in the program, Debreczeni said something to the effect that if Csurka's intentions became official political programs, he, and other members of the party who hold similar views, would quit the MDF.

We asked Jozsef Debreczeni at what point their patience would run out.

[Debreczeni] We would not stay in the party if Csurka's ideas became official political programs, and if these ideas were espoused and adopted by the next national meeting of the MDF.

[Horvath] Could this really happen?

[Debreczeni] It could, in theory, but I have confidence that this is not going to be the case.

[Horvath] Reports have it that two-thirds of the MDF membership backs Csurka.

[Debreczeni] I venture to say that this is, indeed, true. Even in Kecskemet—the city I represent—the MDF organization took the position of opposing me. But there are many who distance themselves from Csurka's ideas; I was pleased that the MDF organization of Gyula took our side.

[Horvath] Is it possible that they will remove you, i.e., the MDF liberals, from the organization before the national meeting?

[Debreczeni] I don't think so. One can already sense both within the parliamentary faction as well as here in Kecskemet that they are reluctant to take radical steps. And there is no need to chase us away in the unlikely event that the national meeting accepts Istvan Csurka....

[Horvath] Wasn't the departure of some valuable people from the MDF earlier—such as Zoltan Biro, Gy. Csaba Kiss, and Kata Beke—a warning sign?

[Debreczeni] One should not draw a parallel between their departure and our decisions. There is a huge difference between the two. To this day I have no idea why Gy. Kiss left the party. They quit and chose an individual solution as a result of developments they did not like. In contrast, we are staying, and this is the way we fight the extremist forces.

[Horvath] Who are the "we"?

[Debreczeni] Five of us established a Liberal Foundation last year: Ferenc Kulin, Istvan Elek, Tibor Balazsi, and myself from the faction and MDF Vice Chairman Imre Furmann is the fifth; he is not a representative. In other

words, the five of us started this effort, but there are between 20 and 30 people by now who would cooperate with us, or think the way we do. Accordingly, "we" means one-fifth of the faction. This, however, does not mean that all the others support Csurka. The number of his unconditional supporters within the faction is not larger than ours, the number of liberals....

MDF Parliamentary Group's Rejection of Csurka

93CH0036A Budapest *MAGYAR NEMZET*
in Hungarian 1 Oct 92 p 1

[Article by "H.Cs.": "MDF Faction Advocates Conciliation; Csurka Has Suffered Total Defeat"]

[Text] *MAGYAR NEMZET* has learned from reliable MDF [Hungarian Democratic Forum] sources that Istvan Csurka suffered a total defeat at Tuesday's faction meeting that extended into the night.

Representatives at the conference discussed the general political situation that has evolved, and within that, the circumstances of the dismissal of Istvan Palfy G. The MDF representatives agreed on having to conduct conciliatory politics despite the tense situation, i.e., they must seek a consensus. Istvan Csurka arrived late to attend the meeting; he attended a grand rally before and thus could not hear the speeches delivered by head of

government Jozsef Antall, faction leader Imre Konya, and State Secretary Tamas Katona. Csurka said that the media policy advocated by Kulin has visibly failed, that conclusions had to be drawn, and for this reason he suggested that Hankiss and Gombar be suspended in their positions effective immediately.

Csurka's words were received in dead silence. After Csurka's statement a vote was taken to find out whether the representatives supported the conciliatory policies proclaimed by Antall, Konya, and Katona. With Istvan Csurka's and Gyorgy Szilasy's abstentions, the faction unanimously voted to support the idea of a consensus-seeking dialogue. As we were told by our informer, Csurka clearly suffered a defeat. This was the first time that the centrist silent majority openly opposed Csurka's ideology. The writer politician was agitated when he learned that he was left to his own by the faction.

Poli: FIDESZ Chief Leads, Csurka Drops

93CH0036B Budapest *HETI VILAGGAZDASAG*
in Hungarian 10 Oct 92 pp 90-92

[Article by Endre Hann: "The Popularity of Parties and Politicians; Adverse Judgments"]

[Text]

**1992 Party Choice of Voters Claiming
To Have Made Up Their Minds (percentages)**

	March	June	September
FIDESZ [Federation of Young Democrats]	29	34	29
MDF [Hungarian Democratic Forum]	15	14	14
MSZP [Hungarian Socialist Party]	8	11	13
SZDSZ [Alliance of Free Democrats]	9	11	7
FKgP [Smallholders Party]	7	5	6
KDNP [Christian Democratic People's Party]	6	6	4
Other parties	4	3	3
Does not know	11	7	12
Will not tell	11	9	12

Popularity of Politicians in September 1992

Researchers asked the following question from the sample population: "Would you like to see [name of politician] to play an important political role in the upcoming years?"

Name	Popularity	Change	Name Recognition	Change
ORBAN, Viktor	85	+ 11	88	- 3
FODOR, Gabor	84	+ 14	74	- 1
PALOTAS, Janos	83	+ 6	89	- 4
GONCZ, Arpad	79	+ 3	97	- 2
HORN, Gyula	76	+ 6	93	- 2
DEMSZKY, Gabor	73	+ 16	91	- 2
KIRALY, Zoltan	73	+ 13	83	- 2
PETO, Ivan	72	+ 19	81	+ 3
POZSGAY, Imre	59	+ 10	94	- 1
FUR, Lajos	56	+ 10	87	- 1
TOLGYESSY, Peter	55	+ 12	78	- 4
SURJAN, Laszlo	51	+ 3	87	0
SZABAD, Gyorgy	47	+ 9	82	- 2
ANTALL, Jozsef	40	+ 5	99	0
KUPA, Mihaly	33	- 1	96	- 2
KONYA, Imre	32	+ 6	82	- 2
JESZENSZKY, Geza	28	+ 5	93	- 2
BOD, Peter Akos	28	+ 3	87	- 2
CSURKA, Istvan	20	- 4	88	+ 2
TORGYAN, Jozsef	18	+ 3	96	- 2

While more and more is being said about the danger of political extremes, and primarily of the threats presented from the right, a majority of the electorate appears to continue to think about politics in the framework of a parliamentary democracy: Based on the most recent public opinion survey conducted by Median, more people would go to the polls than before if there were an election held today. At the same time, the past six months are characterized by a mild shift to the left, as indicated by a survey chartered by HETI VILAGGAZ-DASAG during the "week of demonstrations."

If national elections were held "this Sunday," the votes would probably be valid because since last fall's and winter's low point, the inclination to participate has increased continuously, and has reached a point where 58 percent of the electorate states that it certainly would go to the ballot box. (Median Ltd. conducted the public opinion survey between 18 and 25 September on a sample of 1,200 citizens representative of the country's population.) The inclination to participate is accompanied by gradual gains made by the MSZP. The 5-percent constituency gain registered by the MSZP during the past six months means that the MSZP ranks third, after having bypassed the ailing SZDSZ. There is no change in the first place: FIDESZ continues to be the most popular party; almost one-third of the voters who "have made up their minds" would vote for FIDESZ.

Even in other respects, society appears to be shifting somewhat to the left. When asked by the pollsters to place themselves on a left to right scale, a majority of the respondents ranked themselves in the center, or somewhat to the left of center. But the voter constituencies of the individual parties define themselves in somewhat separate groups. As our graphic shows [graphic omitted], based on self-characterization made by the supporters of the various parties the MSZP clearly represents a left-wing force, while FIDESZ and SZDSZ could be regarded as left-of-center parties. The few supporters of the Small-holders would rank themselves even closer to the center. The MDF is placed to the right of center, while the KDNP is even farther to the right of the MDF.

If elections were indeed held in the near future, it would not be easy to make a prediction based on the survey, because even among voters who have already made up their minds, the ratio of "uncertain" voters is rather high, and on top, the ratio of persons not willing to reveal their party choice to the pollsters also shows a mild increase. But even these people revealed the extent to which they sympathized with the various parties; on a sympathy scale of 0 to 100 the values are very close to those shown when respondents chose between parties. Based on this assessment, even those who are uncertain or secretive sympathize more with the opposition parties than with the ruling parties. Within that, this group provides 64 points to FIDESZ, well ahead of the SZDSZ

(54 points) and the MSZP (44 points), and even more points than the number of points received by the KDNP (41 points), the MDF (37 points) and the FKgP (20 points).

The lasting, good performance by FIDESZ in public opinion surveys seemingly contradicts the fiascos suffered by FIDESZ in interim elections. Nevertheless, assessments based on nationwide representative samples do not—because they cannot—serve as foundations for estimated predictions on individual local election results; instead, within the statistical margin of error, they predict well the distribution of votes that would be cast for the various slates in national elections. It is yet another matter that while FIDESZ has, for quite some time, been the most popular party according to all public opinion surveys, this popularity has not been accompanied by FIDESZ' ability to run large numbers of winning independent candidates for representative seats.

Nevertheless, FIDESZ's front men are more popular than ever before; moreover, for the first time, Viktor Orban now ranks highest on the popularity list. In late September, 85 percent of the population would have welcomed him to perform an important political role in the future; this ratio is higher than any previous ratio of support given to any politician. On top, Gabor Fodor, another FIDESZ politician, ranks second on the popularity list after Viktor Orban, and his rating falls short of Orban's rating by only 1 percentage point.

Generally speaking, the name recognition of politicians remained unchanged (or more accurately: the changes did not exceed the statistical margin of error), and only Istvan Csurka's name recognition has increased by a substantial ratio. This, however, does not mean by far that his popularity has also increased. To the contrary, while following the low point measured after the summer "lull" the popularity of all politicians has once again increased (by 8 percentage points in the average), Istvan Csurka's popularity has declined by 4 percentage points. On the other side of the spectrum, among politicians who had achieved a greater than average increase in popularity, we find left-wing or liberal personalities (with the exception of Lajos Fur). Ivan Peto stands out among these: In September, the number of persons who viewed Peto favorably has increased by 19 percentage points over the level recorded three months earlier; the increase occurred not much after Peto agreed to be the SZDSZ nominee for chairman of that party.

Median's most recent examination to find out how people develop positive or negative judgments regarding individual politicians—whom they put in a "box"—took place last fall (HETI VILAGGAZDASAG, 28 March 1992). The mathematical analysis performed in the course of the September survey showed interesting changes in this regard. Four groups can be defined based on choices and rejections. One category clearly includes the ruling party politicians, the other the liberal opposition, and this includes by now Arpad Goncz and Gabor Demszky based on the calculations; these two persons

were seen separate from the liberal opposition, based on the March survey. On the other hand, Janos Palotas, viewed by the respondents in March as close to the liberal opposition, is now part of the left-wing group typified by Gyula Horn, Zoltan Kiraly, and Imre Pozsgay. Perhaps the most important phenomenon is the fact that based on views expressed by respondents Istvan Csurka, who could previously be ranked among ruling party politicians, now constitutes a separate group with the previously "lonesome" Jozsef Torgyan, at least insofar as the judgment of the public is concerned. Supporters of these two persons come from a sociologically well-defined stratum: Based on the survey results their supporters are primarily low educational level and low income persons.

Christian Democrat on Party's Role, Opposition

93CH0052A Budapest UJ MAGYARORSZAG
in Hungarian 7 Oct 92 p 4

[Article by Markus: "Christian Democrats Are Not Gray; Our Basic Position Is the Same as That of the Faction"]

[Text] The Christian Democratic Party [KDNP] and the Budapest Coordinating Organization held its Free Forum on Monday. Parliamentary faction leader Bela Csepe spoke after KDNP deputy chairman Laszlo Varga's opening remarks.

Bela Csepe informed the gathering primarily about the basic position held by the KDNP's National Assembly faction, and commented on characterizations by some who try to make the KDNP appear as "the party of gray people."

"Anyone who claims that we are 'gray' is color blind, is seeing the wrong color, and is unable to recognize colors," the National Assembly representative said, and presented a number of examples to deny the malicious charges made by the opposition.

"Our basic stance can be defined as follows: In the present political situation we must serve the nation by ensuring the country's political stability in the framework of the coalition. Our economic upswing depends on this.

"By no means should this be interpreted to mean that we should be playing the role of some satellite, of some political satellite, or of some obedient servant," the faction leader stressed. "This is proven by remarks made by KDNP representatives in parliament. The party's parliamentary faction does not alter the balance, but instead, together with the Smallholders, it constitutes supporting pillars without which the grave economic legacy could hardly be liquidated," the speaker remarked. He made reference to the highly significant turnaround in history which has taken place under circumstances in which a heavy legacy must be erased not only from the economy, but also from the spirits of people and in the framework of law. Speaking of political

trends that could threaten the country with anarchy, Bela Csepe said that these could create Balkan conditions, could deter the entry of foreign capital, and could retard the economic uplift.

We Don't Want To Hide

Before discussing the balance of powers in parliament, the National Assembly representative mentioned certain recent statements made by the KDNF. They raised certain issues with which even the MDF [Hungarian Democratic Forum] was reluctant to deal. In some instances they criticized the ruling party before parliament took up its daily business, reminding the MDF of its historical responsibility.

Bela Csepe recalled a recent example when he said that "It is my basic principle not to be silent when sensitive issues are being dealt with. I do not believe that our voters expect us to hide. I spoke up during morning business at the time Istvan G. Palfy was relieved of his duties. This action of Elemer Hankiss had to be publicly condemned in parliament. Hankiss' action violated the essence of the principle of a free press, and must not be regarded as a freestanding labor dispute. Miklos Tamas Gaspar's statement in the course of debate, according to which this step did not help the evolution of the media affair, came as a surprise to us."

The SZDSZ: The Most Radical Hindrance

The faction leader also detailed the power conditions and political fighting tactics of the opposition parties. Speaking of the SZDSZ [Alliance of Free Democrats], Csepe contrasted the past and present positions taken by liberals: Before the elections they proclaimed the most radical kind of system change, then turned into the most radical obstacles to the system change, a fact we can see day after day. The SZDSZ, to be held responsible for the delay in the system change, has virtually drifted alongside the MSZP [Hungarian Socialist Party], the Christian Democratic representative said, and used this to explain the significant loss of membership in liberal ranks, a phenomenon particularly apparent in the countryside.

Regarding FIDESZ [Federation of Young Democrats], the organization that took the path of full denial, the representative said that their opposition conduct is stunning; although many predict a growing support for FIDESZ, Csepe, personally, does not share such views.

Hard Core in the Opposition

"Could we draw conclusions on a national scale from the recent election victories of the MSZP?" the representative asked and immediately provided a response to the question of interest to many. "The National Assembly faction of the KDNF is in no position to draw such conclusions, nevertheless it is a fact that the MSZP is trying to fill certain places where a political vacuum exists by taking advantage of a the government's lack of appropriate attention to, and care for masses of workers and employees. The socialist team is extremely well

organized, and also has its expert support," Csepe said. "Judging by their remarks, they are seriously preparing to take power."

"The opposition has a hard core that aspires for power at any price, even by using Bolshevik methods," the speaker warned. "Which trend is going to prevail within the SZDSZ is the big question."

Cultural Committee Head Kulin on Media Battle

93CH0052C Budapest UJ MAGYARORSZAG
in Hungarian 6 Oct 92 p 4

[Interview with Ferenc Kulin, National Assembly representative of the Hungarian Democratic Forum, by Dezso Palotas; place and date not given: "Ferenc Kulin on the Media Law; Does Hankiss Want Consensus?"]

[Text] TV President Elemer Hankiss might have thought that by relieving Istvan G. Palfy of his duties he would put an end to the protracted dispute. His own end, of course, one that amounts to an open declaration of war, according to Tamas Katona. We presented the remarks of Katona, Office of the Prime Minister state secretary, in yesterday's issue of this newspaper. We asked Ferenc Kulin, the chairman of the parliamentary Committee on Cultural Affairs, to state his views.

[Palotas] Were you aware, did you have a hunch in the committee, that this would be the next step?

[Kulin] Anyone who has dealt with the television issue was aware of the very grave conflict between the president and the editor in chief. We learned about the imminence of his decision only from uncontrollable "declarations of intent," but we were unaware, of course, of the exact timing and the reasoning behind this action, and of the effects on both positions held by the editor in chief.

[Palotas] Does Mr. Hankiss's decision have an impact on the media-related position of the liberal platform within the MDF [Hungarian Democratic Forum], and if so, how great an impact?

[Kulin] The committee's viewpoint regarding the media issue remains within the scope of our parliamentary functions; in other words, we are endeavoring to create a law on the one hand, and to reach personnel-related decisions that were left pending, on the other. Accordingly, this step taken by Hankiss neither retards nor advances the decision that can only be made in the course of debate over the enabling proposals related to the law, and after the conclusion of personal disputes. The fact is that this step taken by Hankiss renders a further search for consensus virtually impossible; nevertheless, we must attempt to accomplish even what seems to be impossible. We are unable to achieve our goal through the legislative process because we do not have a two-thirds majority in parliament, and therefore we must attempt to reach an agreement.

[Palotas] The fact that your opponents do not wish to reach an agreement is proven exactly by Palfy's dismissal. Why should they reach an agreement as long as they hold a position of power in this regard?

[Kulin] If we fail to reach an agreement, the task will once again be given to the Constitutional Court, because, as I have said many times, if no media law is created based on a two-thirds majority vote despite our apparent good intentions, the government is going to be forced to continue to exercise supervision based on legal provisions that have their origins in the party state.

[Palotas] It seems that the possible adoption of a media law is becoming increasingly further removed, because Hankiss and his people are going to present the government with an accomplished fact that is simply unacceptable to the government. This is a two-thirds law, and it depends on the will of one third of the representatives whether the illegally created situation continues to prevail.

[Kulin] We will continue to do what we have done before as long as the committee's assignment is to develop the law and to debate amendments. When political impacts made from within or from outside of parliament prompt us to give up this effort, we will stop doing what we have been doing. But until such time, taking advantage of the opportunities flowing from our function and scope of work is our duty.

[Palotas] Let us presume possible surprise initiatives from the other side. In his study that has since become famous, Istvan Csurka talks about the police removing illegally appointed intendants (without naming Hankiss or Gombar). Would this be within the law?

[Kulin] The problem is that the illegality of the appointment of intendants must also be determined as a result of legitimate processes, and this has not taken place. As long as the 1990 law on appointments is in force, it is the function of the prevailing media president to appoint people to positions and functions below the vice presidential level. Accordingly, no illegal action has taken place in this regard from the standpoint of formality, what has happened amounts to a "mere" upsetting of a political consensus as a result of assigning duties to intendants that would have come under the authority of vice presidents who had not even been appointed at the time. This is how the intendants acquired a kind of power to which, in our view, and according to the proposed legislative proposal, they would not have been entitled.

[Palotas] The opposition interpreted your distancing yourself from Csurka as a step taken in their direction. Does Hankiss's most recent action change this picture?

[Kulin] I must correct your statement. It is true that the opposition was pleased with our statements related to Csurka, just as it welcomes every movement that indicates internal conflict or tension within a ruling party, but it is not true that we have come closer to them. A statement like this would presume that we have taken

mutual steps in each other's direction. The truth is that we did not take any steps in the direction of the opposition. Whatever statement we made regarding the Csurka affair represented a step in the direction of the original MDF program. It would be contrary to the functions given to me to go public with these matters as long as I recognized even a spark of hope to resolve these issues within parliament by using parliamentary methods. Doing so would be inconsistent. My recommendation to our own parties and to the government is that we confidently lay our cards on the table. The opposition is concerned that in the course of allocating frequencies, every frequency would be assigned to owners supportive of the ruling party, and this is what they want to prevent from happening by using every means. The opposition could see for itself that its concerns are unfounded if they had a chance to see the list of potential contestants; these are large, world-wide firms that want to pursue radio and television broadcasting in Hungary, and these firms operate in every place in the world based on very strict business principles; under no circumstance are their programming policies determined by their relations to the ruling party. We must convince the opposition that their concerns are unfounded.

Tolgyessy on 1993 Budget, Political Scene

*93CH0052B Budapest UJ MAGYARORSZAG
in Hungarian 6 Oct 92 p 5*

[Unattributed article: "SZDSZ: Tolgyessy Would Be Satisfied With Less Ideology"]

[Text] The proposed budget submitted to the National Assembly by Finance Minister Mihaly Kupa is a collection of misery, a huge state household deficit, and of new taxes. This is how SZDSZ [Alliance of Free Democrats] party chairman Peter Tolgyessy characterized next year's annual budget submitted by the cabinet, at a press conference yesterday.

Tolgyessy pointed out that based on the contents of the proposal one should expect to see huge financial problems in education and health care. In the party chairman's view the budget is not suited to either "remove the state" from the economy, or to remedy the problems inherited from the past, and, further, the government has failed to reform the state household even in this, its third budget proposal. Accordingly, the budget is moving along on a constrained path determined not only by the past, but also by the Antall government.

Based on the above remarks, Tolgyessy envisioned a way out of this situation as a result of a zero-based budgeting of expenditures and the reform of the redistribution system. Relative to the latter Tolgyessy said that in the SZDSZ's view social considerations should play a greater role in rethinking education and health care issues. Speaking of the dual rate general sales taxes, he regarded

this method of taxation in itself as useful, but he criticized the fact that the government wants to introduce this method of taxation not as part of a comprehensive taxation system.

Insofar as storms around the media are concerned, Tolgyessy said that the SZDSZ would like to see an end to the dispute, and the fulfillment of the institutional and personal conditions for the independence of public service media. The SZDSZ would be most reassured if these guarantees would come about all at once, Tolgyessy said. The president of the Republic is certainly going to make an appropriate decision in this regard, Tolgyessy said.

The party chairman regarded the meeting of delegates scheduled for 13 November as a watershed event, because the membership is going to choose at that time between trends to be followed within the SZDSZ. He, personally, is an advocate of a broadly perceived, practical, socially oriented liberalism with little ideological content, while the other trend contains more ideology.

Report on Consistency With EC Laws

93CH0059B Budapest FIGYELO in Hungarian 8 Oct 92
pp 1, 26

[Article by Zsolt Molnar: "EC Requirements: A Lesson in Harmonics?"]

[Text] Once the agreement on association between Hungary and the EC takes effect, Hungary must, within a certain period of time, promulgate a few legally mandated rules identical to those of the EC. If we become EC members regarding every category of concern, we must, by a given deadline, streamline our legal system with that of the community. During the past two and a half years the government has considered these requirements when proposing new laws or amendments to existing law. Where does the streamlining stand today?

A provision of the Treaty of Rome that established the EC in 1957 states that the legal systems of the member states must be identical to the extent necessary for the appropriate functioning of the Common Market. The so-called Unity Document that took force in 1987 tightens the economic and administrative rules and regulations of EC countries even more; the number of these countries has grown from six to 12 since the establishment of the EC. The Unity Document is to be enforced beginning on 1 January 1993, and has the establishment of a full monetary union as its goal. The Maastricht treaty points toward a political union; it has changed and tightened the requirement to streamline laws. This was necessary because prior to the Maastricht summit the streamlining process in the various countries had not been verified, and certain countries had failed to comply with the prescribed deadlines.

Hierarchies

In what form should member states promulgate their streamlined rules? Consistent with a recent decision of

the EC Court of Laws, the EC is increasingly encouraging the use of legislative acts, providing sanctions for non-compliance.

The EC Council of Ministers is empowered to promulgate rules governing the EC at various levels of its organization, each conveying different obligations. The rules must be implemented by every member state, and their force is equal to that of national laws. The directives are addressed to member states, they are mandatory in terms of goals to be achieved, but the member states are permitted to decide how to achieve these goals and how to mold these requirements into their respective bodies of national laws. The decisions, so-called, have a mandatory effect on both governments and enterprises to which they relate. Recommendations, on the other hand, convey nonmandatory opinions.

Thus far the Council of Ministers has issued directives based on recommendations received from the Brussels Committee, the EC's secretariat. The Maastricht treaty has changed the EC's rulemaking mechanism and mandated that the Council of Ministers consult with the European Parliament—the EC's legislative body—and with the EC Economic and Social Welfare Committee.

Middle of the Road

Article 68 of Hungary's agreement on association with the EC highlights certain fields of endeavor (see boxed item below) in which the need to streamline laws appears as more urgent than in others. The agreement also states that Hungary is going to become an EC member at some point in time, and that therefore a far broader streamlining of laws is required outside the fields of special significance. The agreement on association also provides deadlines for legal consistency in the specially significant fields. In some fields these deadlines are set five or 10 years hence, in others compliance must be achieved prior to becoming a member of the EC.

The government has established an interministerial committee to streamline laws with EC requirements; its legislative subcommittee is headed by the Ministry of Justice. A variety of views exist in Hungary regarding ways to accomplish the streamlining of Hungarian laws, however, according to Deputy State Secretary Laszlo Kecskes, the chairman of the subcommittee. Some people overestimate the significance of national values and do not at all regard streamlining as necessary, while others advocate the immediate and automatic streamlining of laws. Advocates of the latter view recommend that the EC legal provisions be translated and introduced without change. The deputy state secretary believes that the values of the Hungarian legal system be preserved while observing EC rules in the course of streamlining.

In creating new laws or amending existing laws that are particularly important from this standpoint, parliament has already taken into consideration the EC legal system, and endeavored to establish rules similar to those of the EC. At present, the Ministry of Justice is working on four laws and amendments that are fully consistent with the

EC legal system. The proposed Product Liability Law and proposed amendments to Law No. III of 1952 on the Code of Civil Procedure were written with the needed consistency in mind. Preparations are being made to amend legal provisions governing the establishment of Hungarian subsidiaries by firms domiciled abroad, and rules governing door-to-door sales. Ten years were granted for amending the corporate law, the competition law, and consumer protection laws. A theoretical, scientific knowledge is needed by those who perform the streamlining function; the repository of such knowledge could be a future University Institution of European Sciences recommended by the Ministry of Justice.

Market Constraint

Insofar as the streamlining of agricultural laws aiming for the establishment of a unified internal market within the EC is concerned, their primary impact will be seen primarily relative to wine production, animal husbandry, feed production, animal health, plant growing, the production and sale of sowing seed, and plant health. Although our present laws affecting these specialized fields do not fundamentally differ from Common Market rules, preparations to join the EC require appropriate amendments or the rewriting of rules. The Ministry of Agriculture has initiated a comprehensive review of these rules in 1990. The implementing decree of the decree with the force of law concerning vineyards and orchards has been amended based on that review. Legal provisions concerning plant health requirements, the grading of various species of plants and animals by the state, and the production and sale of augmenting materials have also been changed accordingly.

In order to maintain competitiveness, Hungary's desire to join the EC necessitates changes in rules governing the agricultural market. A legislative proposal concerning the agricultural market rules of order now pending before parliament enables the introduction of rules similar to those of the EC; it establishes an institutional system and means by which agricultural production, the agricultural market and consumption could be streamlined.

A draft legislative proposal governing food products consistent with EC requirements exists and will be submitted to parliament this year. The new law and the resultant food regulatory system protects the health and interests of consumers, encourages fair competition, and provides for the free flow of food products between the various countries. It also provides rules for the production, sale, packaging, and labeling of food products. These rules, however, are not fundamentally new; Hungary has also observed EC rules previously, otherwise it would not have been able to export food products to EC member states, according to Agnes Szabo, Ministry of Agriculture division director. As compared to previous rules that served the interests of large state enterprises and trading companies, however, the new rules are neutral from the standpoint of competition.

A legislative proposal consistent with EC rules concerning feed production and animal husbandry has also been drafted. The law governing animal health is now being reconciled with EC legal requirements, and new rules are being drafted for vine production and for municipalities in mountainous areas. Laws pertaining to plant protection, and the grading, production, and sale of sowing seed and augmenting materials by the state will be drafted in the foreseeable future.

[Box, p 26]

Fields of Special Significance

According to Article 68 of the Hungarian-EC agreement on association, Hungarian legal provisions must closely conform with those of the EC particularly in the following areas: customs law; corporate law; banking law; enterprise accounting and taxation; intellectual property; occupational safety at the workplace; financial services; rules of competition; rules and regulations pertaining to food; consumer protection, including product liability; indirect taxation, technical rules and standards; transportation; and environmental protection.

[Box, p 26]

Legislative Proposal On Product Liability

In 1985 the EC issued a directive regarding the adoption of uniform rules for product liability. A majority of the member states framed their respective legal provisions on this basis, moreover, certain European countries not belonging to the EC also adopted laws consistent with the EC directive.

The Hungarian legislative proposal on product liability is ready to be acted upon by parliament. Its purpose is to make manufacturers liable for damages caused by faulty products to a greater extent than their general liability. The legislative proposal differs from the EC directive to the extent that instead of establishing the consumers' maximum share of financial responsibility at the 500 ECU's [European Currency Units] (about 50,000 forints) level, the limit in Hungary is a mere 10,000 forints, in due regard to Hungarian price and income conditions. The authority of the law would not extend to unprocessed agricultural and wild game products, and manufacturers would not have to be responsible for risks created by scientific and technological development. Further: The Hungarian law would not limit the manufacturers' total liability at the 7-billion-forint (70-million-ECU) level in case of death or physical impairment caused by flaws in serial production.

The fact that a manufacturer must compensate for damages caused by a flawed product, irrespective of whether his conduct in the course of production was culpable, is a novel feature in Hungarian product liability rules. Nevertheless, the manufacturers' liability is not unconditional, because liability could be waived based on proof provided by the manufacturer in the framework of several mitigating circumstances specified

in the legislative proposal. Another new feature authorizes persons having suffered damages to enforce claims against manufacturers irrespective of contractual agreements. Thus the legislative proposal would establish a clear-cut adjudicatory practice, because previously there was uncertainty as to whether a person having suffered damages by a flawed product could enforce a claim directly against a manufacturer.

[Box, p 26]

Equal Treatment in Civil Suits

The Code of Civil Procedure had to be amended because as part of the Hungarian-EC agreement on association Hungary agreed to guarantee that the treatment of citizens of EC countries in civil suits would be the same as that afforded to Hungarian citizens. Existing law contains only a few provisions that adversely discriminate against foreigners. For example, only Hungarian citizens are entitled to assert personal or financial considerations when seeking a waivers of court costs and relief from under having to pay fees related to the proceedings in advance; such waivers and relief cannot be obtained by foreigners under present law. These provisions must also be changed.

Summary of Finance Ministry Report on Economy

93CH0059C Budapest FIGYELO in Hungarian 8 Oct 92
p 4

[Article by -ai: "Finance Ministry Bulletin"]

[Text] The Finance Ministry forecasts a 5-percent drop in the GDP this year. During the first eight months the volume of exports has increased by 6 to 7 percent over the same period last year. (In the composition of goods exported, consumer goods and the ratio of developed destination countries have increased the most.) Within domestic demand, accumulation has declined according to data based on the first two quarters of the year. (Investments and industrial inventories declined to a small extent.) The total income of the populace has increased at a declining rate in recent months; during the eight-month period individual income increased by 18 percent (i.e., less than the increase in consumer prices) as compared to the same period last year. At the same time individual savings have shown a dynamic growth. By year's end, individual consumption is likely to decline by 4 percent.

The industrial production volume continues to stagnate at the level it was at the end of last year, and for the entire year 1992 one can count on a production level 10 to 13 percent lower than the 1991 production level. Food industry production is expected to fall short of the previous year's production level by 14 to 16 percent. Unemployment has further increased in August, but to a far lesser extent than in preceding months. There are 600,000 unemployed persons and the unemployment rate is 11.1 percent.

The import volume projected for all of 1992 is going to fall short of the 1991 level by 4 to 6 percent.

The trade balance based on customs statistics shows a deficit, but this is caused by imports not subject to the payment of customs duties and by time discrepancies; the current balance of payments for merchandise payable in foreign exchange regularly shows a significant surplus. A 1992 balance of payment surplus of about \$800 million can be expected to materialize.

The state budget deficit has increased only by a small amount in August. On the other hand, the deficit of the social security fund has increased by 7 billion forints, and has reached the 11-billion-forint mark.

Industrial producer prices increased in August by 0.7 percent, while consumer prices increased by 0.8 percent, as compared to the previous month. One should count on a 10- to 12-percent annual industrial producer price increase and a 22- to 23-percent annual consumer price increase in 1992.

Sale of Compensation Vouchers Planned

93CH0059D Budapest FIGYELO in Hungarian 8 Oct 92
p 33

[Article by A.K.: "Compensation Vouchers at the Stock Exchange"]

[Text] Negotiations have been going on for month to prepare for the trading of compensation vouchers at the stock exchange; we have hopes by now that this is soon going to become a reality.

One of the conditions for trading securities at the stock market is that the aggregate value of a security to be traded amounts to a minimum of 100 million forints. So far the Compensation Office has decided to issue compensation vouchers worth about 12 billion forints, far exceeding the required minimum value. Vouchers valued at about half this amount are already traded at the market, more than satisfying this criterion. What appears to have caused problems thus far is the condition that the State Property Agency [AVU] expressly agree to continuously provide information over a six-month period to the Stock Exchange about proposed privatization transactions to be offered in exchange for compensation vouchers, i.e., the kinds of stock that could be purchased for compensation vouchers, complete with time schedules. (The lack of this declaration has delayed the trading of compensation vouchers at the Stock Exchange.) Further, the AVU should also inform investors about the conditions under which compensation vouchers would be accepted and exchanged, including the date, place and method of exchange, and the exchange rate.

Accordingly, compliance with these conditions would partially discontinue the isolation of compensation vouchers in terms of space and business policy, an isolation that has led to the evolution of unrealistic

exchange rates because of the present lack of information, and has distorted judgments made at the market. Once the sale of compensation vouchers begins with the trading of vouchers at the Stock Exchange, one could expect the presently customary exchange rate of 70-80 percent of the nominal value to change; such change would also be supported by the fact that the nominal value of compensation vouchers increases month after month by the amount of interest earned, and in the course of exchanging compensation vouchers for cash or for privatized property the AVU credits compensation vouchers at a value including the earned interest increment. Compensation vouchers began to earn interest at a rate of 75 percent of the Central Bank basic interest rate when the Compensation Law took effect. The nominal value of newly issued compensation vouchers will include the interest already earned, while the nominal value of vouchers issued earlier does not include interest earned. Accordingly, one could expect to see significant differences in demand for the various series of vouchers, depending on their date of issue.

Since members of the Stock Exchange will be able to complete transactions involving various series of compensation vouchers traded at the stock exchange only at the Stock Exchange, it will be less likely that stock brokerages buy compensation vouchers on their own accounts rather than on behalf of their clients. Up to now, some brokerages have earned substantial profits by buying compensation vouchers on their own accounts. (BEB Corporation was first to call for a more stringent regulation of brokerages buying compensation vouchers on their own accounts.) A separate time period will be allotted for trading compensation vouchers at the Stock Exchange. The fee for introducing and continuously trading compensation vouchers is 6 million forints per series; this fee must be paid by those who ask that a series be traded at the Stock Exchange.

Editorial Critique of Privatization Work Program

93CH0059A Budapest FIGYELO in Hungarian 8 Oct 92
pp 1, 4

[Article by Gabor Karsai: "Privatization: Breaking Through or Breaking Down?"]

[Text] "The Breakthrough Concept and Government Work Program for Hungarian Privatization," prepared under the leadership of Minister Tamas Szabo and published in last week's issue of this newspaper, makes for astounding reading. This work is apparently (one of the) continuations of the GAM [Economic Strategy Working Group]-concept also linked to Tamas Szabo's name, one that called for the stimulation of the economy and was heavily debated last May. It is a continuation of the previous program in a historical sense, because important elements of the new privatization concept—such as the need to develop a technique by which broad segments of society acquired state property on highly preferential terms—are already included in the previous program. The new program is also a continuation of the

previous program from the standpoint of the spirit it reflects, because the idea of growth and the intent to accelerate privatization for political reasons—in disregard of financial limitations—is characteristic of both programs.

But why is the new program astounding if things are that way? It seems odd, to say the least, that the new program almost totally lacks an analysis of privatization concepts and processes pursued thus far. No reference is made to the government's adoption a year ago of a strategy "for ownership and privatization," nor do the authors of the new study take too seriously the privatization laws that took effect a month ago. The reason for this attitude is that the authors feel that the 30 June 1993 date by which autonomous enterprises must begin their transformation conflicts with their own concept, and therefore suggest that these enterprises be placed under state administrative supervision and that government commissioners be appointed to head these enterprises. Even if the proposed process is not contrary to law, it appears as a cynical and overt effort to grab power.

Privatization, and within that the AVU [State Property Agency] Board of Directors that makes decisions, has long been plagued by the dilemma of how to optimize privatization revenues in the context of enterprises to be sold in the future, e.g., by way of stimulating supplemental investments, acquiring new markets, or preserving workplaces. In addition, the revenues could also materialize in the form of money with broadly varying hardness, ranging from convertible cash, through compensation vouchers, to credit, just as the promises related to privatized property come in varying degrees of softness. The new privatization concept forcefully attacks the AVU's "revenue-centered" attitude, which it views as one-sided, but once again, the analytical proof is missing. At the same time, no mention is made to the fact that representatives of the various branch ministries supposed to represent professional interests are also members of the AVU Board of Directors, which means that considerations supportive of decisions are at least more complicated than the way they are presented in the new program.

In reality, behind the criticism of AVU's "revenue-centered" approach one finds an intent to depart from the market-oriented approach of privatization, one that sells property in exchange for value, with enterprises playing a more or less active role in the process. The fact that the new concept regards the "establishment of a broadly-based, strong Hungarian propertied stratum," along with the maintenance of economic functionality, as the goal of privatization, as compared to "the secondary character of all other goals," translates into an artificial creation of supply and demand and an overt disregard for financial limitations.

The arbitrariness of the state is well demonstrated by the authors' proposal to mandate the AVU to establish within enterprises under state administrative supervision "plants of appropriate sizes," to schedule the

"unencumbering" of part of the property to be privatized, and to require that state organizations owning property "exert significance influence" if their property is "subject to liquidation."

The authors recommend credit certificates, privatization leasing, installment payments or letters of credit—requiring little or no cash—as means to stimulate privatization demand. Not a word is said about how the shrinkage of the 70-billion-forint privatization revenues expected in 1992 to a fraction of that amount is going to affect the broadly conceived state household: the budget, the guarantee funds, etc. (while the program presumes the existence of new resources for "alleviating the burden" and for providing guarantees!). The authors are also silent about the financial effects of receiving less foreign capital and the impact on our efforts to join international economic processes. On the other hand, it is rumored that AVU professionals—always sensitive to political moods—are already more cautious when negotiating with foreigners. They are waiting for a decision to be made whether the new privatization program indeed becomes a "national" program. This slows down privatization, of course.

Credit certificates deserve special attention. According to this program, credit certificates provide a "technique for the potential acquisition of property by the poorest strata of society"; they are "substitutes for cash," instruments for which "individual personal property must not be pledged as collateral," whose "interest rate is substantially lower than that applicable to E-Loans," and with

the help of which property purchased could be unencumbered. If I understand this correctly, this would mean that every Hungarian citizen could purchase state property for credit certificates entirely free of risks, because only the state property purchased would serve as collateral for the money borrowed and for the preferential interest to be paid. Thus, one could assume, everyone would pick up credit certificates. But a large majority of the people would be unable and unwilling to interfere with decisions to be made by owners. And since dividends would be expended for the repayment of principal and interest—supposedly even under favorable conditions, a majority of the people would readily sell their share of property to investors for cash, if such opportunities arose. The inflationary effect of the resulting windfall demand in consumption is obvious. At the same time, investors could cleverly maneuver to buy the property shares from others and avoid repaying both the principal and the interest. This could be accomplished by "siphoning out" one way or another as much capital from the enterprise as possible, and by transferring that capital to another firm owned by the clever investors. The bankruptcy of such firms would have no consequences, insofar as the investors are concerned. Accordingly, credit certificates could, simultaneously, turn the state's privatization revenues into expenditures, and provide an incentive to new owners to bankrupt the firms they were entrusted to own. In the course of this some clever people—not the stable entrepreneurs—could become rich.

Skubiszewski Discusses Regionalization of Europe

93EP0044A Warsaw *POLITYKA* in Polish
No 42, 17 Oct 92 pp 1, 11

[Interview with Minister of Foreign Affairs Krzysztof Skubiszewski by Wieslaw Wladyka and Krzysztof Mroziewicz; place and date not given: "Adding Up Fractions: The End of Europe Is Merely a Rhetorical Figure of Speech"]

[Text] [POLITYKA] Mr. Minister, the drastic attempts to undermine the good relations between Poland and Germany on both sides of the border are awakening fears that groups of chauvinists are informally trying to dictate foreign policy.

[Skubiszewski] I would never say so. That is not the point. The series of extremely deplorable events—what happened in Krakow is fatal, not only tragic but fatal—is revealing a certain attitude on the part of criminal elements, an attitude that is menacing and requires extremely resolute countermeasures by the police. In this respect I perceive major shortcomings in the treatment of the Skinheads or other similarly acting groups. A ruthless preventive campaign should be carried out. These groups still continue to be active. They have been attacking locals and foreigners for a long time now. Why are not the police doing something about it?

No, this is not a question of foreign policy. This is a question of crime control.

[POLITYKA] The Skinheads were silent allies of the communist militia both in this country and in the GDR.

[Skubiszewski] You are speaking of the past.

[POLITYKA] Clearly, this informal alliance has survived the change in the system of society.

[Skubiszewski] I do not know anything about that. But let me state clearly that, judging from the effects, the steps taken by the police have been insufficient. What happened in Krakow is tragic and fatal. And menacing. That time it was a severe beating resulting in death; the next time it will be murder.

[POLITYKA] That is what we are afraid of.

[Skubiszewski] I believe that this can be overcome by the police and a strict administration of justice.

[POLITYKA] Mr. Minister, in this connection we would like to ask about the relationship between domestic policy, or perhaps rather domestic situation, and foreign policy. This relationship exists, that is clear. To simplify, it can be said that two ways of thinking about our place in the world are current in Poland: one is looking for that place in the ever more modern Western world and the other fears Europe and Poland's neighbors. Are you not afraid that the concept of a self-isolated and mistrustful Poland might constrain the possibilities of our foreign policy?

[Skubiszewski] First, in the so-called realm of ideas many turbid and half-baked views are arising; many of them can hardly be considered concepts deserving attention, but at the same time they can hardly be considered harmful. They would become harmful only if they were to enter upon the stage of more precise definition and implementation, but it is difficult to define their nature.

[POLITYKA] But nationalist views are easy to conceive.

[Skubiszewski] Of course, any nationalism is harmful to our international standing. Yet, the nationalist idea has played a crucial role in Poland for many decades, and it was behind the attainment of independence in 1918 and again in 1989. One has to know how to distinguish between national pride and nationalism. In a word, the values, concepts, and ideas that we want to employ have to be extremely nuanced and clearly defined.

[POLITYKA] On assuming that any nationalism and nationalist bluster will diminish rather than enlarge our strength and seriousness.

[Skubiszewski] Bluster means being ridiculous. That is incontestable. This is not being understood by some "politicians" (or rather shouters), but they are marginal on the political scene. The basis for Poland's strength is a healthy economy. An economically weak country has limited possibilities for acting on the international scene. If by pursuing one or another line in foreign policy we can enhance our chances, that is possible only to a certain extent without a healthy economy. In the final analysis, that extent is determined by the economic order in our own mansion. This otherwise banal truth was confirmed by the results of my last visit, namely, to Japan. Over there they display understanding and the will to cooperate, but we on our part have the problem of our organizational and economic efficiency, or rather major flaws therein. Foreign policy can create a good climate, but that will not be worth much unless that is exploited by domestic policy as for example working to promote an understanding with the IMF.

[POLITYKA] Mr. Minister, the policy of the Ministry of Foreign Affairs and of you personally is being criticized by various groupings and periodicals. Among other things, it is said to lack a long-range plan. It seems to us that such a plan exists, and you intend to accomplish it by the Poznan method of organic work from the foundations on, meaning by resolving many specific issues through arduous negotiations.

[Skubiszewski] The Poznan method! I understand your politeness, but let us not exaggerate Poznan methods. And a plan does exist. That plan is described in my annual parliamentary report and, prior to that, in the secret document, "Directions and Objectives of Polish Foreign Policy," which once a year I present to the Council of Ministers. The point is that those who accuse me of lacking a plan have no plan themselves. In their reports to the parliament former Prime Ministers Jan Krzysztof Bielecki and Jan Olszewski presented objectives and directions of Polish foreign policy on the basis

of position papers which I had drafted. Alternative position papers were a sorry mess and ended up in the wastebasket. Those who are criticizing me lack an alternative. Are we to support one of Poland's neighbors against another? Are we not to join the European Community and other continental or Euro-Atlantic organizations? Are we to become a new (and bigger) Albania of the era of a divided Europe and plunge into isolation? In foreign policy what you call organic work is commendable since a plan does exist. Besides, Polish foreign policy is valued as a stabilizing factor in this region of Europe. It lacks any elements of adventurism, even though various homegrown politicians and their homegrown—God pity us—advisers are promoting various concepts, especially as regards eastern policy.

[POLITYKA] Is it possible to maintain a neutral stance in relations with Moscow and Kiev?

[Skubiszewski] Poland desires the best possible relations with Moscow and Kiev, and, let us add, Minsk. This is no longer mere wish, as we are actually pursuing this policy. The position of our country was expressed during the visit by Ukrainian President Leonid Kravchuk to Warsaw (18-19 May 1992) and by Chairman [of Belarus] Stanislaw Shushkevich to Warsaw (23 June 1992). To be sure, the history of our relations with each of the three nations currently personified by the independent states has differed. Russia, as a present state, figures in modern and recent history. Ukraine has, despite some earlier attempts, gained independence only now. Belarus too. The relations between each of the three nations and Poland differed and followed different roads. This is bound to affect the present. Similarly, the geopolitical and geostrategic positions of these three states are not identical. Russia has remained a big power, despite its various present-day weaknesses and problems. It will consolidate its big-power status. Will Ukraine become a big power?

At any rate Poland's role is that of an element of political stability in our part of Europe and a country bridging the old East of our continent with the West. This is reflected in both our bilateral relations and our cooperation in international organizations. We have major interests in common with Russia and Ukraine—among others, economic issues. We also have problems to be overcome in common, such as the protection of natural environment.

To us an alternative of choosing between Moscow and Kiev does not exist, although this does not preclude some or other special interests. Poland does not take either side in the conflicts between Russia and Ukraine.

[POLITYKA] Professor, sir, toward what idea of statehood are you inclined in a situation in which Poland aspires to full membership in European structures?

[Skubiszewski] The concept of "idea of statehood" is blurry. Poland must be a democratic state. This postulate presupposes, on the one hand, broadly conceived rights of man and civil liberties, legislative power of the parliament and its control of the government, and also

substantial powers of local governments and communities. On the other hand, there should exist an efficient executive branch of the government—both central and local. An efficient executive is also of huge importance to foreign policy; it is indispensable if a country wants to play an active international role. The parliament is unable to conduct the state's foreign policy, and neither should it have any such aspirations, because it could not cope with that, as proved by the experience of any country, including the example of the dominant—for some time—role of the Congress of the United States following the failure of policy in Vietnam.

If executive power is to be divided between the head of state and the government (as is the case in Poland), that division should be extremely precise and rational, as otherwise executive power will not function and will even be paralyzed.

Meeting certain institutional requirements ensues from Poland's participation in certain European institutions or from our aspirations to such participation (in the European Communities). The statute of the Council of Europe, of which we are a member since 26 November 1991, mentions parliamentary democracy, which presupposes political pluralism, free elections, rule of law, and respect for human rights as the organizing principles of community life in a European country. At the same time, members of the European Council differ greatly in their institutional systems. These differences correspond to national differences. Here the identity of Europe as a continent of fatherlands is strongly reflected.

[POLITYKA] If Denmark fears a Europe of Maastricht dominated by Germany, and if the southern Slavs are engaging in internecine wars, does not this perhaps point to the end of Europe? How are we to evaluate the results of the referendum in France on the Maastricht treaty?

[Skubiszewski] "The end of Europe" is a vague concept. It is a rhetorical figure of speech that is far from reality. The 12 countries now belonging to the European—or more exactly, West European—Community are so closely interlinked that severing these links without causing them great harm is becoming impossible.

Anyway, the Danes rejected the Maastricht treaty by a slim majority of votes, but they did not at all reject European integration. They want to be part of it. The French accepted the Maastricht treaty by a slim majority of votes, but this does not mean that only one-half of Frenchmen desire an integrated Europe. A substantial majority desire it. Still, the verdict of voters cannot be interpreted as mere lack of information. The division exists and is deliberate. It exists in France, and it exists in Great Britain.

Danes do not fear Germans, as demonstrated by the relations between those two countries and peoples. Danes do not fear a united Europe. But they had reservations about certain decisions adopted at Maastricht, and they expressed their objections to them. Let

us not forget that, even without Maastricht, the European Community remains the strongest and most advanced integrative grouping in the world.

You spoke of the war among the southern Slavs. That is a crisis of the unity of Europe, and it has demonstrated the inability of various European organizations to counteract such a conflict. There can be only one conclusion from this European disaster (let us name things by their names): we must engage in conflict-preventing diplomacy ("preventive diplomacy" [in English]) and thereby also strengthen such European institutions as the Conference on Security and Cooperation in Europe, the Community, of the West European Union. Euro-Atlantic ties, that is, NATO, need to be strengthened and broadened. We must combat any return to national isolation, expansionism, nationalism.

[POLITYKA] But might not acceptance of the Maastricht treaty, which is a kind of adding up fractions as in a mathematical operation, lead to a German hegemony in Europe?

[Skubiszewski] Rather the opposite. In France, where intense public debate on this subject took place, it was said that one reason for ratifying that treaty is to prevent Europe from becoming German. In the event of a collapse of Maastricht treaty and regroupings within the Community, the position of Germany could become stronger.

Maastricht is an important stage in the consolidation of the Community—and hence also of Europe, because the Community is the solid core for the unification of the continent. Membership in the Community is becoming one of the foundations of economic prosperity, democracy, and security. Thanks to the adoption of the subsidiary principle, there is no danger of any excessive centralization of power by the agencies of the Community. Quite rightly, after the Danish and French experience, the "12" will further strengthen this principle. The practice of European integration also proves that it is no threat to national identity but on the contrary promotes its fuller growth. Threats to national identity are being mentioned not by those who are part of the integrative process (and they include the great national states of West Europe) but by the Community's opponents in the countries aspiring to membership.

[POLITYKA] Influential Polish politicians are uttering comments in response to which—let us once more return to the issue of our western neighbor—influential German politicians are declaring that, in view of this, visas should be reintroduced for Poles.

[Skubiszewski] That is just words. Here and there people are speaking, also after the referendum in France, of the danger of a "German Europe." I repeat that such fears are unjustified and I preclude them for the future considering that Germany is bound by ties to European organizations which exert a strong pull toward the

center. Hence our interest in the success of the European Union, that is, in having the treaty signed in Maastricht take effect.

[POLITYKA] Two conditions for that process must be met. Germany must cope with absorbing the GDR, which does not seem a foregone conclusion. And afterward Europe must cope with absorbing a Germany which after all shall not be, all things considered, the same thing as the former GDR. And lastly the absorption of Poland, Hungary, and Czechoslovakia must still take place.

[Skubiszewski] I do not agree with this pessimistic view of the unification of the two parts of Germany. In my opinion, it is proceeding well.

Some of the former GDR's intelligentsia are critically disposed toward the circumstances and conditions of the unification. This also applies to the nomenklatura, those former owners of the GDR, which has every reason for feeling discontented: it is a loser. In public discussion these voices are heard better than others. There is a method to it. But then also there is the so-called ordinary and rather silent majority who understand the advantages of the great change and the effects of the transmission to the former GDR of a system which has absolutely passed its test in West Germany and made it one of the best-functioning and wealthiest countries in the world. The absorption of the former GDR will basically proceed quite rapidly. I do not know whether the worst is already over for Germany. Consider a thing which in this country has been making too slow progress—the privatization of the nationalized sector. Of course, this is happening here under different circumstances: over there (in the former GDR) with the aid of a huge infusion of money and here, in this country, without money. We have in common (with the former GDR) unemployment, which over there in some regions is even worse than here. To the citizen of any former communist-bloc country unemployment is difficult to accept, which is quite understandable. When people are unemployed, how can we speak of normalcy?

[POLITYKA] Does this mean that Europe is outpacing us more and more?

[Skubiszewski] We face a gigantic domestic task. From the standpoint of our current associated [with the EC] status and future membership in the Community we are yet to accomplish a restructuring of our economy and adapt our legislation correspondingly. This could be done by establishing a special agency with direct access to the prime minister which could order various domestic ministries to pursue specified solutions. That is how it all began in Spain, and that is what should be done quite determinedly in this country. This is a great task for Minister J.K. Bielecki: the integration of the domestic economy.

[POLITYKA] But in Spain the Catholic Church trained cadres for the economy while that country was still under a dictatorship, whereas in this country it has trained politicians.

[Skubiszewski] Not just them, either.

[POLITYKA] Mr. Minister, how good is your ministry at forecasting political happenings in the world?

[Skubiszewski] Essentially, the forecasting of international relations and foreign policy is relatively underdeveloped. Here we are dealing with the domination of qualitative variables that are not readily amenable to a scientific analysis.

Experts remain skeptical about the possibility of an effective forecasting of international events. Disputes about methodology are continuing. A major issue in forecasting is information—its completeness and credibility and the proper way of processing it.

Consider that in the West with its numerous well-funded and well-equipped prediction centers that have access to extensive information the air at these centers is full of mutual recriminations for failure to foresee the unfolding of events in Central-East Europe and in the USSR in 1989, and later in 1991. Have the unusually expanded centers for Sovietological studies accomplished anything more than gathering an imposing mass of facts and sources? Zbigniew Brzezinski was one of the few who went farther and saw farther.

One has to accept the opinion that international life is characterized by considerable unpredictability.

I think that, against this background, our Polish ministry's record is not that bad. Since we are dwelling on the Eastern example, let me point out that we did expect changes in the USSR and its disintegration, though it was difficult to foresee in what form. At any rate, we had been the first to initiate a kind of dual approach in relations with that big power—with the center in Moscow and with the discrete republics. That was not easy in view of our sensitive situation, but it ensued from a prognosis that proved correct.

Good diagnosis and prognosis are only half the job. In addition, one must have the resources assuring a proper response or a long-range strategy. I need hardly mention the deplorable state of our funds. We are speaking of the need for adequate information, but the funds available to the Ministry of Foreign Affairs are steadily diminishing.

Good prognosis is an important element of national strategy, but that strategy is formed and pursued not only in a ministry of foreign affairs.

Some openness on various scenarios for the future is needed, along with a calm and balanced response. The point is not to contract the room for maneuver in the future, not to preclude various options.

[POLITYKA] How is the "political geometry" in relation to the amorphousness of Europe? Triangles, hexagons, etc.—and the European Currency Unit as the integrator?

[Skubiszewski] The accelerated pace of institutionalization of the so-called new architecture of Europe negates the thesis of Europe's amorphousness. Considerable advances have been made in what is termed the CSCE [Conference on Security and Cooperation in Europe] process, in terms of both security and political cooperation as well as rights of man. At the same time, the CSCE is facing the challenge of deeds instead of words, that is, instead of composing rules, and this may be a crisis to the CSCE since it lacks both operational ability and funds. This has to be changed if we want progress and results.

The Council of Europe, with its membership broadened, has intensified its activities; only now its name is becoming justified.

The integration of the European Community is growing, and at the same time the Community is attracting other countries for cooperation through agreements on association as well as agreements of other kinds, such as that on creating the European Economic Area (together with EFTA countries).

The role of the West European Union, which also is establishing cooperation with countries of Central and East Europe, is growing.

So then Europe is preserving its boundaries and cultural and political separateness, and expanding its structures and institutions for cooperation and security, while at the same time being open to the external world and its problems. This is not amorphousness.

Regional and subregional cooperation has an important role to play. For several reasons. It facilitates rapprochement with European institutions. It stabilizes the situation in the region and promotes overcoming the bad legacy of the past in the relations among the countries of a given region. That bad legacy is disintegration, absence of partnership, and a "solar-system" alignment (in the Eastern Bloc there had existed in reality only one "sun" or center, Moscow, on which all lines converged). In the case of the countries which as yet do not belong to certain broader European institutions, regionalism satisfies the need to belong and participate in larger groupings and weakens isolation and the feeling of isolation. The ability of Central Europe to organize itself regionally is proof to the West that these countries can cooperate constructively among themselves instead of merely engaging in mutual conflicts and seeking support from the West. This is a major factor influencing the West's thinking on the countries of our region as serious partners.

As regards integrating factors—and you mentioned the European Currency Unit—they are many. A common currency can to a varying extent act as an integrating

factor. This is not necessarily automatic. This depends largely on whether a common currency can become an element of broader economic mechanisms and institutions of precisely this nature.

[POLITYKA] Cantonalization of Europe. Is that a good idea?

[Skubiszewski] I do not know what "cantonalization of Europe" means and what would it consist of. I am afraid that no one has completely elucidated or reflected on this idea. I do not believe that this slogan stems from a thorough analysis of the European reality. The question is, does it actually reflect the processes and trends occurring in Europe?

It cannot be denied that recently regional activism has become somewhat revived, but talking about cantonalization seems premature, to say the least, and a comparison with Switzerland seems misleading. The Helvetic Confederation is 700 years old and stems from a definite historical development which does not apply to other countries or to the entire continent.

The slogan of regionalization is brandished readily by the most affluent regions, which reject the principle of solidarity and do not want to retain close ties to their poorer relatives. For example, the Lombard League aspires toward autonomy as it does not want to share the wealth of Lombardy with its brothers from southern Italy. The rich regions need less support from the central governments of their countries.

On the other hand, I appreciate the assistive aspect of regionalization. The population of a given region defined by its natural boundaries should have a maximum voice in resolving its problems and determining its development, and hence also its living conditions. Unfortunately, too many problems and issues still have to be considered and resolved at the level of the central government. This applies especially to Poland, which is facing a nationwide economic and social transformation. Still, regionalization could impede and complicate this process.

[POLITYKA] Mr. Minister, what would you reply to the accusation that Poland's foreign policy has ceased to be a function of the interests of one superpower only in order to become a function of the interests of another?

[Skubiszewski] Let me say plainly that this accusation is untrue and not based on facts; it cannot be shored up by arguments.

In our foreign policy we are trying and shall continue to try to create all the appropriate premises, instruments, and safeguards assuring our independence and sovereignty. That can be proved easily. But let me once more point out that it is primarily domestic policy that is decisive to a country's independence. What happened on our domestic scene in the first half of the year was not conducive to creating a strong and independent state. The strength of a country, such as frustrates external

attempts to make it dependent on another country in particular matters, or, generally speaking, to "satellitize" it, is built up domestically. Domestic instability, weakness, or even economic backwardness can afford a temptation or a basis for foreign elements to exploit this situation.

Your question concerns, I believe, the USSR and the United States. The accusation in question errs in grouping these two countries in the same category, makes no distinction between a dictatorship and a democracy. A dictatorship precludes cooperation, while a democracy makes it possible.

[POLITYKA] Are the consequences of Minister Genscher's departure already being felt?

[Skubiszewski] Since a world-class politician who has made a great personal contribution to the turnabout in Polish-German relations is departing, various questions arise. The European and world scene valued highly the exceptional abilities and effectiveness of Hans-Dietrich Genscher in blazing the trail toward reaching compromises based on balanced interests.

Genscher is highly skilled at harmonically meshing in his thinking and actions German interests with the interests of the uniting Europe and the world community. He has made a historic contribution to the cause of Polish-German understanding and reconciliation. I am linked to him by ties of personal friendship, which I value very highly.

The new FRG Minister of Foreign Affairs Klaus Kinkel was one of Genscher's closest associates. At the same time he is a highly experienced and estimable politician. Since taking office he has been making his own major contributions to Germany's current foreign policy. But new tasks keep arising all the time, and by the same token politics is being updated. We talk together at international meetings, and his visit to Poland was quite successful. We both agree that much has been accomplished in the normalized relations between our countries, although much also can still be improved. I feel convinced that we shall cope with this task.

[POLITYKA] Czaja is speaking of Silesian autonomy. Could internal conflicts in Poland acquire the Czechoslovak form?

[Skubiszewski] Comparing the situation in Poland to that in Czechoslovakia is misleading. In Silesia we are dealing with a German minority, that is, with Polish citizens who are of German origin or who claim German language, culture, or tradition. But they are in the minority there. I wish to emphasize that they are availing themselves increasingly fully of the possibilities afforded them there for fostering their ethnic and cultural identity.

By contrast, in Czechoslovakia we are dealing with the problem of coexistence of two peoples each of which is now creating its own statehood. This is a totally different

and in no way comparable situation. Silesia is an inalienable part of Poland, and citing examples from 1920 (Organic Statute) and 1922 (Upper Silesian Convention) nowadays is totally inapposite, and by now there is absolutely no room for any German autonomy in Silesia. Any ideas of such autonomy belong in the realm of political fantasy.

[POLITYKA] Do not you think that Polish public awareness would benefit from some great debate on the Polish foreign policy with the object of arriving at some up-to-date definition of Poland's place in the world, Polish *raison d'etat*, and, lastly, patriotism?

[Skubiszewski] There is indeed no such debate. The criticisms I encounter are superficial and lacking substance and expertise. Yet there is a great need for informed criticism. In this country we lack knowledge of international relations, foreign policy, and modern history. Perhaps it is my fault not to have initiated such a debate. But gentlemen, you simply cannot imagine how little time I have for reflection and for attending to matters other than ministry business. My work is of such nature that I have to attend personally to many details, for which besides I am also being criticized. Those ministry officials who work well also have less and less time. The amount of work is growing. This will strike a false note in present-day indigent Poland, but my associates and I would like to have our own or leased small plane, like the ministers of other countries. Then we would take half an hour to travel to, say, Strassbourg, instead of the present half a day with time spent on waiting for plane connections. On seeing me sitting in an airport waiting room, a diplomat from another country (who arrived in a special aircraft of his minister) commented, "After all, it [the aircraft] is only a working tool." My God, we have much smaller aspirations as regards working tools and equipment for our ministry. But I shall not enlarge on this topic since, as the proverb says, gentlemen do not discuss money.

[POLITYKA] Thank you for the interview.

Prospects for Polish-Hungarian Cooperation Viewed

93EP0033A Warsaw RZECZPOSPOLITA in Polish
26-27 Sep 92 p 1

[Article by Krzysztof Bien: "With Hungary to the European Community: Poland Must Learn To Be Competitive"]

[Text] "This may make us laugh, but, compared with the problems faced by other countries, Poland is not badly off. Its economy is slowly beginning to take off, and its reforms are advanced. There is nothing to be ashamed of," Minister Jan Krzysztof Bielecki declared optimistically at a press conference organized to sum up the two-day visit by Hanna Suchocka to Hungary. The main accomplishment of that visit was the consensus on signing the agreement to establish a free trade zone that

is to include all the countries of the Visegrad Group—and, at present, it is certain that it will include Poland and Hungary.

As of 1 January 1993, once the agreement on the free trade zone is signed by the countries of the Visegrad Group, 70 percent of trade between Poland and Hungary will be duty-free. Quotas and other trade barriers will be gradually abolished. It is assumed that Poland and Hungary will mutually gain the same conditions of market access as are available in our country to EC producers.

During the visit to Hungary, the chances for cooperation between the defense industries of our countries were also discussed. According to Wojciech Okonski, deputy minister for foreign economic cooperation, orders may be placed with the Polish aviation industry. This concerns, in particular, trainer aircraft, as well as spare parts for Hungarian aviation. The coproduction offer by Hungarian industry also concerns other domains of production, including trucks, buses, pharmaceuticals, and chemicals. A delegation of representatives of Hungarian industry has been invited to Poland, which will serve to select domains of cooperation that are of interest to both countries.

The visit to Hungary also served to coordinate the positions of Poland and Hungary on the coming meetings in Luxembourg, Brussels, and London for talks on the ratification of the association agreements between our countries and the EC. Poland and Hungary also are in accord on the need to develop criteria for full membership in the EC, which would be accompanied, as both our countries expect, by assistance from the EC.

Actually, however, EC countries are currently experiencing a deep crisis, stemming from tensions on the currency markets, whose causes lie in the unequal growth pace of their economies. Against this background, there is even arising the possibility of a breakup into two groups of countries. Might this not imperil our aspirations for integration with the EC? When asked this question by RZECZPOSPOLITA, Minister Bielecki said that a tumultuous discussion about the future is indeed under way in the EC countries. Among other things, on the occasion of a debate on the ratification of the Maastricht treaty, a declaration about the future of integrative processes in Europe is going to be issued by the Bundestag.

Minister Bielecki believes that, to Poland, the fundamental issue is becoming a strong, credible, and stable partner. Poland must learn to live in the world of acute competition. From the sole country to undertake reforms in 1989, we have evolved into the situation of a child in a family with many siblings. That is why continuing a policy of broadly conceived stabilization is important.

Politicians Discuss Parties, Political Scene

92EP0025A Warsaw GAZETA WYBORCZA in Polish
3-4 Oct 92 pp 8-9

[Statements by various politicians and commentary by
Artur Domoslawski: "The Lines of Division"]

[Text] *Why is there so much division on today's Polish political stage? What have politicians been fighting about and why are they fighting? Which divisions are permanent and which are temporary? How will the Polish political scene look in the future?*

Andrzej Anusz, Deputy of the Movement for the Republic: "Lech Walesa's Lost Opportunity"

The origin of the fragmentation on the political scene is found in the fact that politicians hailing from the democratic opposition of the 1970's and 1980's are burdened with their old personal and professional conflicts.

Unfortunately, the presidential elections, which might have brought a good deal of order to that scene, failed to do so. The order worked out during that election did not prove to be of a permanent sort. Lech Walesa's victory had offered an historic opportunity for a permanent ordering of the political scene. Had the president taken up his position as head of the camp that had raised him to power, he would have made the electoral campaign arrangement permanent. Then his camp would have taken part in the parliamentary elections that ought to have taken place in the spring of 1991 and—I believe—would have won those elections. The political scene would have been divided into several large and permanent political formations.

Lech Walesa destroyed his political camp. He departed from the electoral program and exchanged it for the slogan: "President of all the Poles," which was momentous in a political sense. But my question is: Whom does the president really represent today? As the head of state, he represents everybody, but he ought to be linked especially with the people who voted for him, who voted in the election for certain things and not for others.

Current political divisions in the post-Solidarity camp have happened with respect to the following things: settling accounts with the communist past ("the bold stroke"), decommunization and lustration, slogans like "acceleration" of the reform process, anti-inflation or a more antirecession economic program, the method of reprivatization and privatization, the regionalization of the country, the participation of the Catholic Church in political life, the permissibility of abortion, the political system of the state (symbolized by the "small constitution"), the participation of Poland in European institutions (EC, NATO), relations with neighboring countries. In the various groupings, there exist divisions of a tactical nature; for example, about the question of which parties to join with to form a government.

Divisions founded upon ideological bases—the permissibility of abortion, the position of the church, the

decommunization of the state—will be permanent. On the other hand, divisions founded upon differences in economic programs can be overcome. I believe that the government of Hanna Suchocka is implementing to a large extent the program of the Jan Olszewski government, and the Olszewski program retained certain elements of the programs of the Tadeusz Mazowiecki and Jan Krzysztof Bielecki governments.

The process of further changes on the political scene is being carried out, first of all, in parliament. A major role in this process is being played by those young politicians who succeed in talking to each other unburdened by attitudes of being former "adversaries."

The Polish center-right will crystallize around two formations: the conservative-liberal position of Aleksander Hall and the Christian-independence-popular position of Jan Olszewski. The fundamental difference between the two formations is their respective positions toward decommunization and lustration.

There is an opening in one of these two blocs for the participation of the Center Accord [PC]. Events connected with the overthrow of the Olszewski government, with the lustration matter and the approval of the "small constitution" incline me to believe that Jaroslaw Kaczynski and his party will line up on the side of Olszewski. I do not know how the so-called liberal fraction of the PC under Andrzej Urbanski will behave; perhaps it will move in the direction of the Liberal-Democratic Congress [KLD] and the grouping of Aleksander Hall.

The Democratic Union [UD] will experience a serious crisis. I do not exclude the possibility of a series of schisms. The dominant leftist option (Frasyniuk) will be competing with the "pro-state" one (Rokita). There will be a weakening of the leadership of Tadeusz Mazowiecki which will benefit Bronislaw Geremek and Jacek Kuron. The "pro-state" option will try to strengthen its position by the aid of the government and the person of Prime Minister Suchocka.

It is not impossible that a presidential party will come into existence. In the Sejm, such a party could come into existence on the foundations of the Christian-National Union [ZChN] and the Polish Peasant Party [PSL]. I believe, however, that the price Lech Walesa would have to pay to bring such a party into existence—(Pawlak, installed as prime minister)—would be too high in proportion to the gain. The ZChN and the PSL have barely 90 votes in the 460-member Sejm. Perhaps, therefore, the president will make an attempt to build a presidential party outside of parliament (for example, based on the "Network"). I do not foresee much of a future for such a party. The experience of the last presidential campaign—the famous bumper principle—will dampen the spirits of likely candidates for the president's party.

Aleksander Hall, Leading the Rightist-Democratic Forum: Two Years After the "War at the Top"

There are several lines of division. The first follows the strengths of the old system and the strengths growing out of Solidarity. I believe that this division will continue to be operative. It is a question of the psychology, both of society and of the politicians.

A second line of division was determined by the presidential election, which divided the political scene in an unfortunate way into those who were in favor of Walesa and those who opposed his Presidency. The UD is a classic example of a grouping that gathered together the adherents of Mazowiecki who were opposed to Walesa. That division still exists.

There are also other divisions: adherents of market reforms and those who fear such reforms; those who favor Polish isolation and those who favor Poland's integration into European structures; finally, those who see the need for a concentration of pro-state forces and those who put ideological conflict into first place.

These criteria are interwoven and their large number cause the political scene to be formed in a convulsive manner and with such difficulties.

There is, however, a positive possible prognosis: Seen from the perspective of a few years down the road, before the next elections, political parties founded upon the genuine course of events will be formed, built on ideological-programmatic formulations. At that point, it will be essential for them to know how to make compromises among themselves.

But there is also a negative prognosis: Poland will sink into the mud of petty tactical games, the political system will undergo further degeneration and democratic institutions—Polish parliamentarianism—will be further eroded.

**Jaroslaw Kaczynski, President of the PC:
"Decommunization and the Old Social Order"**

Political divisions in Poland are not finalized at present and the causes of these divisions are often no longer clear.

What is the origin of the current political arrangement? I believe that there was an important element that had to do with comradeship, persons, and chance; that element leads to a situation where, for example, a clearly right-wing grouping like the Forum of the Democratic Right [FPD] united with a clearly leftist ROAD [Citizens Movement-Democratic Action]. In that way, therefore, a Zofia Kuratowska and an Aleksander Hall were for a long time in one party. However, that specific trait of Polish political life—already described by Maurycy Mochnacki in the 19th century: a comradely agreement stronger than an ideological one—is, I think, disappearing.

In today's divisions, the essential role is played by two things: attitude toward the social order (not the political order, but the social order) left by the communists and ideological factions.

It is only the PC and, of late, the Movement for the Republic that have toward the social order a position that is both unequivocal and thought out to its logical conclusion. The ZChN and Solidarity (understood as a political party) are also on our side. Parties on our side of the political stage firmly demand a change in the current social order, arguing for that change in various ways: from an emotional basis (Solidarity), from an emotional-ideological basis (ZChN), from a rational basis (PC). These parties support decommunization, that is, the destruction of the old social order.

As easy as it is to define who is on our side of the stage, it is unknown who exactly is on the other side: certainly the communists and the PSL, certainly a significant part of the UD, although I am uncertain about certain groups in the union. Sometimes you can hear voices from over there that in part, at least, seem to agree with our assessments. Finally, on that note, there are the liberals who accept the current order in the economic sphere, although not all of them—and not exclusively—accept the current order in the extra-economic area.

On what does our social order depend? It is an order based on social cooperation created by the later communism of the 1970's and the 1980's. It developed rapidly in the second half of the 1980's and preserved itself perfectly in the new system. It continues to be present in many very important spheres of our economic and political life, having a decisive or significant influence on these spheres. The policy introduced after 1989 by the Solidarity camp strengthened this order very much—the law on the liquidation of the RSW [Prasa-Ksiazka-Ruch Worker's Cooperative Publishing House] was a classic example of that. Instead of breaking up the old publishing monopoly, the law permitted the carrying forward of a significant part of that monopoly into the new period, giving over many titles to the same publishing houses as before.

Yet our ideological divisions, on the one hand, represent an attempt to rebuild what are often anachronistic divisions of the interwar period (as in the case of a part of the ZChN and a part of the UD), and, on the other hand, a direct importation of Western ideology, as, for example, the modern Christian democracy (as in the case of the PC).

There is also the attempt on the part of the liberals, who want to import into Poland ideas which have almost no tradition in our country, but the newly arising groups of businessmen and owners could provide them with a base.

There are also—and this is a specifically Polish phenomenon—attempts to prolong the popular movement while bypassing the ZSL [United Peasant Party]. Today it is

still too early to say whether both post-Solidarity currents of the popular movement will prosper, whether the current configuration (with a strong, postcommunist PSL) is now the definitive one.

What might at first appear amazing proves, upon more profound analysis, to be obvious: A rather significant part of the electorate continues to belong to groupings that represent a direct line of continuation of the PRL or its heirs. And, if the society of the collapsing stage of communism is seen as a certain arrangement of chiefly economic interests, then what has just been said about the electorate is not surprising. The arrangement will be above question for a long time to come. That fact has, of course, its reflection in the political set-up. I think, however, that the SDRP [Social Democracy of the Polish Republic] is a formation that has the nature of an heir, while, on the other hand, it is difficult for me to determine whether the same can be said about the PSL.

The divisions in the pre-August opposition do not, in my opinion, have a direct influence on today's divisions. The pre-August division was into KOR [Workers Defense Committee] and ROPCiO [Movement for the Defense of Human and Civil Rights] and involved (let us be honest) a very big difference in strength between the two groupings. KOR was the significantly stronger grouping, the better organized, the more effective. But KOR was also divided, and it had a right wing. The main representatives of that right wing (Macierewicz and Naimski) underwent a very rightist evolution, ending up in the ZChN.

Aleksander Kwasniewski, Leader of the Alliance of the Democratic Left: "The Past Determines"

The political stage is defined by a division that finds its origin in the past: a division into a "we" and a "they," into the opposition and the PZPR [Polish United Workers Party] and its allies. The historical argument resurfaced when Waldemar Pawlak became prime minister. People immediately threw up to him the postcommunist origin of the PSL, although earlier—at the time of Olszewski's government—people had gone beyond that to the order of the day.

I believe that those historical divisions, plus the war at the higher levels within Solidarity in 1990, lie at the source of today's chopped up political scene.

Divisions were formed around personal agreements rather than around program consensus. On one side was the group of politicians associated with Tadeusz Mazowiecki, which constituted the government in 1989 and led the Citizens Parliamentary Club [OKP]; on the other side was the group of Kaczynski, a group of frustrated Solidarity activists that associated itself with Lech Walesa, and which was not subject to outside influences.

The third factor involved in the division of the political scene was the programs—and it is the programs that are beginning to play an ever larger role at present, which is an optimistic sign.

Obviously, lines of division run differently in different matters. In the quarrel about the shape of the state, on the one hand, there are those groupings that subscribe to a democratic state founded on law, a state that protects a neutrality of world view in public institutions (I see us in this category, as well as the UD and the liberals). On the other hand, there are those groupings that are firmly nudging Poland toward the side of being a state with a dominant role guaranteed by law for Catholicism and the Catholic Church (on that side, I see the ZChN).

The divisions run differently in economic matters. However, there is no quarrel over the free market. There are no utopians who believe in something other than a free market solution. Differences have to do with the domain of state interventionism: We and the Union of Labor [UP] view that differently from the liberals. That disagreement also includes the place of state enterprises in the economic system, the manner of restructuring and privatizing them, social policy, and the area of state care.

The next division is determined by the respective attitudes towards Poland's association with the EC. A spectacular example is furnished by the divergent reactions to two deputy prime ministers: Pawel Laczowski of the PChD [Party of Christian Democrats] stated that the result of the referendum in France, in which the French approved the Maastricht treaty, bodes well for Poland, while, on the other hand, Henryk Goryszewski of the ZChN affirmed that the result is bad news for our country.

Divisions along program lines will play an ever larger role unless certain groups push us toward the past (and two parties do have such a predilection for the past, the KPN [Confederation for an Independent Poland] and the Movement for the Republic. These two groupings build their programs chiefly upon questions about the past and anticommunism.

The shape of today's political stage is permanent although it continues to be entangled with the past. The greater the role played by programs, the faster will be the shifts taking place in the interior of groups which, I believe, will lead in turn to a new shape of the political stage.

A second factor that will influence the political reshuffling will be a change in the entire social order, a change in the arrangement of economic interests. In the new social structure, there will be a narrow group of people with immense capital at their disposal, a little broader middle class, and an immense group of job-takers, that is, those who sell their talents and knowledge. Naturally, all of that will force the political parties to decide whose interests they seek to protect. Answering the relevant questions will cause a change in the political scene.

I believe that in the future two major currents will take shape: a Christian-democratic one (I hope in the European sense) and a social-democratic one, which will defend the interests of working people. In addition, there

will be room for smaller, liberal groups, which may constitute a particular complement to the consensus on either of the two sides.

Two additional currents have a future in Poland: the popular one, although structural changes in the villages will not take place very fast, and the populist-nationalist-anticommunist one. This latter, I am afraid, can still count on many social entanglements and play a fatal role. I do not know if this current will form around the KPN or around the Movement for the Republic.

Jan Litynski, Member of the Governing Body of the UD: "Toward a Style of Operation"

Today's political system has its origins in the year 1990, in the "war at the top," which divided the political scene into the supporters of the Presidencies of Walesa and Mazowiecki. This division continues today. But it is also, if to a significantly lesser degree, of a personal nature, because the hopes of several politicians that the Presidency of Walesa will strengthen the position of the state and will make it possible for reform to be carried out more rapidly did not come to fruition. These hopes could not be realized for the program for continuing the reforms for attaining to power could not be implemented because of the promises which symbolized the slogan "acceleration" at the time.

The basic division from the "war at the top" remained. On the one hand we have the camp of the supporters of market changes while preserving democracy, while on the other hand we have the camp which believes that the major obstacle in the development of Poland is to abandon decommunization.

This division is very schematic and does not reflect the complexity of the situation. For we also have an antireform postcommunist camp, although that camp also includes politicians who mouth proreform slogans; there is the group of the post-Solidarity left—the Union of Labor. And so the division of the political scene is extremely complex and is always changing shape.

To seek the historical roots of the division is interesting, but it is futile from the viewpoint of an analysis of today's politics.

Certainly there are in Polish political life enduring attitudes and styles of thinking. The elements centered around KOR organized around the tasks that they then attempted to implement. ROPCiO, and then the KPN, arose around slogans. The division remained: On the one hand we have groupings created around tasks (which may be something like building a market), while on the other hand we have parties organized around slogans, for example, the PC ("acceleration," decommunization).

Stefan Niesiolowski, Chief of the ZChN Parliamentary Club: "The Right and Left, or Europe"

The opposition during the 1970's, or even earlier, was divided into the independence opposition (more radical in its anticommunism) and the less radical and more

realistic opposition. This division had already begun in the 1960's, when I founded the very anticommunist and radical organization "Ruch."

Later, through the 1970's, the quarrel ensued over "Finlandization." At that time I was in a paradoxical situation—intellectually I believed that Finlandization was a sound program to which I saw no alternative, but my heart, my emotions, my biography, and the biography of my family situated me on the side of the radical opposition for which Finlandization was too little. But, paradoxically, the orientation that won had no chance for common sense. Poland today is an independent state.

I think that the former divisions are no longer in operation today, although some of their elements have been retained, for example, the division into the right and left.

There is, of course, a very large middle sphere that is hard to call "right" or "left." That is the case, for example, of the KPN. The KPN is not a rightist formation, but a formation that is completely unique—populist, demagogic, and battenning on certain slogans. On the other hand, there is the UD, which attempted to combine programs of the right and left. But that formula for the UD is becoming passe.

And so the division into right and left has been preserved, and formations exist that are marginal, demagogic, and populist; the traditional peasant movement in Poland also exists. However, the PSL is still not able to separate itself from its origins in the ZSL past, and on politically important issues it very often votes with the communists.

There are many other divisions on practically every issue. The basic ones are the attitudes to the president, to integration with European structures, to the protection of the lives of the unborn, to privatization, to barrier duties, to earlier parliamentary elections, to self-government elections, to territorial division, to the electoral law, and to the Constitution.

These divisions overlap each other, but they do not obliterate the basic blocs. The political scene in Poland will become assimilated to the scene in the developed countries of Europe. Those parties that do not exist anywhere in the world will disappear and traditional leftist, rightist, and centrist parties will take shape.

Commentary by Artur Domoslawski

Two events have divided the Solidarity camp during the course of the last three years: Lech Walesa's battle for the Presidency and the lustration-decommunization campaign unleashed by the team of Jan Olszewski. Why, then, did neither of these events create several large and enduring political groupings, instead of which we have over a dozen political fractions that are frequently in conflict with each other?

The attitude neither to Walesa nor to the appearance of agents nor to the loss of positions for membership in the

communist party—often membership in the distant past—clearly, none of these are sufficient reason to create a grouping with a cohesive program. Nor are Walesa, agents, and party secretaries a necessary condition for conducting serious politics—politics that is not the placement of figures on the parliamentary chessboard in order to collect more votes in the Sejm and win something for the moment, but politics that is the representation of interests, the creation of a lobby on behalf of important endeavors, and exerting influence through real social forces.

The criteria of political divisions in Poland are often such that, on the one hand, the supporters of radical economic reform and its opponents may find themselves on the same side. Such was the case, for example, during the presidential elections—the antiunion liberals and the antiliberal unionists found themselves on the same side. Some supported Walesa, expecting him to promote Polish capitalism, while others expected him to defend them from the hardships of the reform. Why does that happen? Why do politicians with similar economic options manage to battle it out with such obstinacy?

As they themselves say, they are divided by history, biographies, ambitions, by their attitude to other politicians, by ideology, and by their style of conducting public activity. However, such differences are also not foreign to politicians in West European countries—each one has ambitions and a style of polemics, each one professes some principles (or the principle of a lack of principle), and each one has his own private and public biography.... But there is not such a disintegration of the political scene in those countries.

Truly, it is difficult to blame everything on the "difficult, temporary period" of emergence from communism. I think that one of the major sins of politicians in Poland is the inappropriate questions and tasks they set for themselves. For what is participation in politics primarily supposed to be today, in a poor country, with a ruined economy, an anachronistic social structure, and a mentality of a major part of society that has been twisted by communism? What has to be done to reform the state: Should someone be deprived of a councilman's mandate in a gmina because he was once PZPR secretary in an administrative district committee, or should a prescription—if an imperfect one—be dreamed up for the illness of state enterprises?

The creation of the cabinet of Hanna Suchocka, in which sit politicians from such parties as the UD and the ZChN, which have a history of enmity with each other, is a good omen. It turns out that policy may be conducted over and above ambitions, biographies, and ideologies. But can we expect this government to contribute to the ordering of the political scene? There is little to indicate this—within the framework of the government camp new divisions are arising, and even the political compromise that served as the foundation for the Suchocka government is so fragile that undue optimism would be inappropriate.

Perhaps the next parliamentary election will be the signal to finally bring around the politicians. Perhaps the political self-preservation instinct will be the element to mobilize them to set concrete goals and tasks for themselves for solving the problems of the electorate. But it may turn out that that will already be too late.

Center Alliance Leaders Meet in Krakow

PM0511115492 Krakow GAZETA KRAKOWSKA
in Polish 26 Oct 92 p 2

[Katarzyna Kolenda and Marek Walencik report: "That the Party May Grow in Strength... PC Leaders in Krakow"]

[Text] "There is no room under our roof for people who believe that decommunization could harm the interests of Polish reforms in the present situation. We will send them packing with our Christian Democrat blessing for the road," Deputy Jacek Maziarski, Center Alliance [PC] Main Board chairman, said during Saturday's meeting at Krakow's Youth Culture Club.

This statement referred to the four Sejm deputies and members of the Center Accord [PC] Parliamentary Caucus (Andrzej Urbanski, Jozef Orzel, Marcin Przybylowicz, and Maciej Zalewski) who were suspended by the PC leadership for casting their votes in an internal caucus ballot against the approved party line, and thus breaking party discipline. The four deputies intend to join forces with the Liberal Democratic Congress [KLD] and the Polish Economic Program [PPG] and set up a new center-right parliamentary caucus within the Sejm.

"The project will come to nothing. It is like drawing pictures in the sand," Maziarski insisted.

Political Life Degenerates Into Jungle Law

According to Maziarski, the present government's deliberate strategy concerning the opposition leads directly to the danger of the country's political life losing all vestiges of a civilized process and letting jungle law loose in our politics.

"Blackmail and attempts to buy people are by no means uncommon. The unfortunate episode in which Kaczynski and Siwek were summoned to the public prosecutor's office was uncannily similar to practices we became familiar with under martial law," Maziarski insisted.

He went on to say that Hanna Suchocka's government was clearly practicing self-defense tactics in response to the threat of potential disclosure of the contents of the notorious files [on public figures' alleged past involvement with communist regime's security services].

"The proposed scrutiny procedure acted like a binding agent that helped consolidate the position of that camp even more closely," Maziarski claimed.

In his opinion, even as the cabinet was being first formed, it was already clear that it would be largely subordinate to Walesa, who placed his own candidates in the two key ministries: defense and internal affairs.

Government Controlled by Democratic Union

Maziarski asserted that the government was currently in the hands of the Democratic Union, within which—after the departure of Aleksander Hall and the weakening of Mazowiecki's position—the deciding vote was now controlled by circles belonging to the left-wing orientation.

"The typical trait of the circles represented by such people as Kuron and Kuratowska," Maziarski continued, "is that they refuse to accept that parties other than their own also have the right to exist." He added that the government was ridden by internal conflicts and was largely held together by one man, Jan Maria Rokita, head of the Council of Ministers' Office, whom he dubbed "the central command chief extraordinaire."

The PC activists believe that the present government will fall before very long. Unless a "presidential cabinet" is formed straight away, they will then form a new coalition, made up of at least 400 deputies from all parliamentary caucuses, except the Social Democracy of the Polish Republic [SdRP]. It is more than likely that the Democratic Union would not be invited into the new cabinet either, because, as Maziarski asserted, it declared open warfare on the PC.

In Maziarski's opinion, our external security can only be safeguarded by Poland's accession to NATO. Walesa's proposal to create a "NATO-II" [NATO-Bis] structure is simply an attempt to revive the old Warsaw Pact and to base our strength on the military potential commanded by the former USSR.

Maziarski's thoughts on this subject were then expounded in more detail by Marek Lasota, another PC activist and Sejm deputy, as follows:

"Poland could find itself either in Europe or in the CIS. For the moment, we are fast becoming another Italy, since Mafia-like organizations are beginning to gain ground in the country. The substance of the Polish state will not bear a massive surge of crime within the state borders."

PC Claim: "NOWY SWIAT Alone Tells the Truth"

According to Center Alliance politicians, their party's internal problems are unnecessarily highlighted and exaggerated by the press, which is controlled by the left-wing orientation hailing from Solidarity and post-communist structures. "Of the hundred or so papers appearing in the publishers' market, only NOWY SWIAT writes the truth," Maziarski claimed. He also insisted that his party held no shares in the Telegraf joint venture [under investigation for fraud] even though the latter was set up by PC leaders.

"As soon as we were promoted to high official positions, we all left Telegraf. In my opinion, you cannot combine holding a state office with running a company," Deputy Maziarski declared.

Maziarski, Lasota, and chairman of the PC Parliamentary Caucus Marek Dziubek disclosed that their visit to Krakow was planned as "a launch of a new PC offensive." They intend to open a parliamentary deputies' office, despite the fact that Krakow has no PC deputies in parliament. They hope that Krakow's present representation of 200 PC members will eventually transform into a strong group with a membership of 10 times as many adherents. They are seeking voters among the intelligentsia: teachers, doctors, and lawyers, and they are counting on male rather than female support.

Status, Future of Defense Sector Considered

93EP0039B Warsaw RZECZPOSPOLITA in Polish
7 Oct 92 p V

[Unattributed article: "It Is Time for Our Own National Defense: The Arms Industry in Poland"]

[Text] The geopolitical situation in the second half of the 1980's was such that, throughout the world, the arms industry boomed. Subsequently, the halting of the arms race, the decline in Third World orders, and the rigors of a policy of retrenchment necessitated adapting the scale of production to the changing situation. To the Polish arms industry, the watershed year was 1988, when one-half of its output was used for the needs of Poland and the Warsaw Pact and the other half was exported, chiefly to markets in the Middle East and East Asia. Along with the decline in orders in 1989, it became clear that this subsector of industry is not going to survive without being restructured.

The present-day situation of the Polish arms industry is due to many factors: the market collapse, the numerical reduction of the Polish Army nearly by half, the scarcity of budget funds, and the export blacklists.

At present, some 90 enterprises of the arms sector remain of interest to the government. Of these, 63 are under the jurisdiction of the minister of industry and trade, 19 are under that of the minister of national defense, and eight are under that of other ministries (five of these are Treasury-owned, single-person joint-stock companies).

The principal branches are:

- Ammunition, missiles, and classic arms (Tarnow Machinery Works, Lucznik Metal Works in Radom, Mesko Metal Works in Skarzysko-Kamienna, and Dezamet Metal Works in Nowa Deba)
- Aviation (Swidnik WSK PZL [Transportation Equipment Plant of the State Aviation Industry], Mielec WSK PZL, Rzeszow WSK PZL)
- Armored and automotive (Bumar-Labedy Machinery Conglomerate in Gliwice, Truck Factory in Stara-chowice)

- Optical electronics and radio electronics (Industrial Center for Optics in Warsaw, Warel Electronics Plants in Warsaw, Niewiadów Precision Equipment Works in Niewiadów, Unimor Gdansk Electronics Plants, Budwar in Warsaw)
- Naval (Northern Shipyard in Gdansk)

During the first half of this year, the aggregate volume of sales (civilian and armaments) of the 90 plants amounted to 7.5 trillion zlotys [Z], meaning that it was Z4.4 trillion lower than in a like period last year. In addition, the share of defense production in the total was low. In 1980, arms production accounted for about 40 percent of overall output, and as late as in mid-1992 it still was 35 percent, whereas by June 1992 it plummeted to 18 percent.

Financial Situation

Generally speaking, the higher the capacity for "S" or special [defense] production in relation to overall capacity of a plant, the worse the plant's financial performance.

Of the 90 arms enterprises and plants, in June 1992 only 37 earned a net profit. Accounts receivable exceeded accounts payable chiefly at the military repair and production enterprises subordinated to the Ministry of National Defense—among others, Military Communications Plants in Zgierz, Military Automotive Plants in Wrocław, ERG Plastics Plants in Tychy, and Gamrat Plastics Plants in Jasło. The remaining 53 enterprises ended up in the red.

Altogether, the profits of the 90 as a whole in mid-1992 amounted to Z225 billion, but their combined losses exceeded Z1.6 billion. When compared with the aggregate volume of output sold by the end of June (Z7.5 trillion), this points to an 18.4-percent loss in sales.

According to the newest concept of privatization, 27 arms enterprises (not counting the plants subordinate to the Ministry of National Defense) will remain under the direct aegis of the government. According to their state as of 31 July 1991, 19 of these plants lack financial liquidity, and their debts exceed their incomes—at one plant they even exceed the value of its assets.

According to data of the Ministry of Finance, at the end of 1991 the obligations of the 80 enterprises under its jurisdiction accounted for 125 percent of their accounts receivable. By 31 July 1992, this indicator rose to 148 percent.

CUP (Central Planning Office) data indicate that, at the end of June 1992, the aggregate amount of obligations of all 90 arms plants exceeded by Z4 trillion their accounts receivables (which totaled Z6.9 trillion and were 3 percent lower than last year). On the other hand, their obligations increased by about 10 percent (to Z10.9 billion).

Last year, more than one-half of these obligations constituted debts owed to the banks, about 30 percent debts owed to other enterprises, and about 16 percent debts owed to the state budget. This year, debts to suppliers markedly increased to more than 56 percent of all obligations. The debt to the state budget increased by more than 6 percent. The 90 plants taken together, at the end of June, owed the banks Z5.1 trillion, of which 31 percent represented credit extensions.

In last year's structure of accounts receivable, the largest item was unpaid bills for the provision of goods and services. At the end of 1991, bills owed by the Ministry of National Defense for shipments of armament and equipment totaled approximately Z1 trillion, and bills for special exports to the countries of the former USSR approximately Z1.5 trillion.

By now, the Ministry of National Defense has already paid its bills for 1991 (it remains in arrears only to a small extent as regards interest payments), but, at the same time, it has almost completely stopped placing new orders for armaments, except chiefly for spare parts. For this year alone, the ministry has earmarked for arms purchases only 12 percent of its budget because maintaining the Army alone is going to absorb 68 percent (in 1986 the corresponding figures were 34 and 36 percent, respectively). The issue of the arrears owed by our eastern neighbor [the former USSR] remains unsettled. A partial compensation of mutual debts would account for only a minor part of the monies owed to the Polish arms enterprises. In sum, claims regarding shipments of products and services at present account for more than 90 percent of the unpaid bills.

In the opinion of certain representatives of arms enterprises, the financial situation of their companies would definitely improve were it not for the need to maintain the productive capacity for arms manufacturing. In view of its special nature, that capacity often remains unused. Some claim that the cost of maintaining it reaches Z30 billion annually. Some plants are padding their estimates in this respect in order to obtain bigger subsidies from the state budget. We know of a case in which an enterprise estimated at Z160 billion the cost of maintaining its defense-related productive capacity. On checking, it turned out that, in principle, one-half of that amount would suffice. Besides, contrary to the widespread opinion, not all of these plants are anxious to get rid of defense production because some do not preclude the possibility that more orders will be placed in the future, and, so, maintaining such specific productive capacities would prove an asset, not a liability.

Concepts of Restructuring

When toward the end of 1988 and the beginning of 1989 the Ministry of Industry allowed using freed arms-production capacities for purposes of civilian production, some of the enterprises affected began to restructure themselves—soon afterward, however, because as early as in the beginning of 1991, there occurred a drastic

collapse of the demand on the domestic market, and, in effect, the restructuring was not even solidly commenced. The plants had no choice but to cut costs. They began to get rid of some of their assets, but they especially trimmed their employment. At that time, they still could afford disbursing severance pay. Nowadays they do not have enough money for such things and sometimes not enough to pay wages.

In 1990, the Interministerial Commission for the Reform and Reorganization of National Defense was established. Its Task Force 4 dealt with arms industry matters. From the vantage point of the present, the members of that task force admit that their studies of the financing of the arms sector were consistently disregarded in the discussions among the ministries, which instead focused solely on organizational matters. At the time, it was proposed that eight plants retain the status of arms plants and 24 be converted to joint-stock companies, with the majority share owned by the Treasury. Although the matter was considered several times by the Council of Ministers, no final decision was taken, and the proposal was not implemented.

The issue of restructuring the arms industry resurfaced in October 1991, when the government obligated the Ministry of Industry and Trade to present a program for restructuring that sector. On the basis of analyses prepared by Proxy Company, the ministry drafted a program and presented it in March 1992 to the government of Jan Olszewski. The implementation of that program was made contingent, however, on capital backing. The Ministry of Industry and Trade requested a Z2.2 trillion government loan guarantee and the allocation of an additional Z3 trillion for purchasing to the Ministry of National Defense. It was estimated that maintaining the capability for special (so-called RO) defense production requires Z1.6 trillion. Of these three proposals, only the third could be implemented, and only partially at that. Only Z700 billion in the state budget could be found for RO production. Thus, the ministry's program was not implemented.

Two Versions

In May 1992, the Socioeconomic Committee of the Council of Ministers considered two other proposals, the so-called budget and optimal proposals. The former presupposed utilizing 12 percent of arms-manufacturing capacity compared with 1988, and the latter 43 percent. In addition, under the former, some 27,000 arms-industry employees would have to be laid off for the sector as a whole and, under the latter, 15,000. The budget proposal assumed liquidating about 50 percent of arms-manufacturing capacity and layoffs of 9,000 employees, while the optimal version assumed utilizing 63 percent of productive capacity in the aviation industry. Under the optimal version, however, the budget of the Ministry of National Defense would have to guarantee corresponding funds for the purchases of arms from the domestic industry. The second condition was government loan guarantees for restructuring needs.

The Final Version

The government adopted the budget version on 19 May 1992. It was resolved to retain 28 of the approximately 80 plants operating until 1991 within the framework of the defense industry. These 28 plants, of which six represent the aviation industry and 10 are of basic importance to national defense, will be converted to Treasury-held, one-person joint-stock companies on assuming their 100-percent ownership by the Treasury. The 10 plants include, among others, Lucznik Metal Works in Radom, Mesko Metal Works in Skarzysko-Kamienna, and the Industrial Center for Optics in Warsaw. They do not include aviation enterprises. Sixteen enterprises, of which five represent the aviation industry, are to be converted to joint-stock companies in which the controlling share will be owned by the Treasury. They are, among others: Mielec WSK PZL [Transportation Equipment Plant of the State Aviation Industry], Bumar-Labedy, and Warsaw-Okecie PZL. Shares will be made available to the public under the control of the state.

It is assumed that the minister of industry and trade will have jurisdiction over the Stalowa Wola Steelplant and the PZL Swidnik Aviation Plant, both of which have already been converted to joint-stock companies, as well as over other plants following their similar conversion. But this will require changes in the Privatization Law.

After the arms-sector enterprises are converted to joint-stock companies and their debt relief accomplished under general principles, it is expected that holding companies will be set up for six branches of that sector. The remaining enterprises of the "former" defense industry—that is, those from before 1991—will be able to privatize themselves without state intervention, and their defense production will operate in accordance with the rules of the free market game by having to face competition in bidding. These are the engineering-sapper, automotive, communications, provisioning and housing, and chemical-defense enterprises and plants.

Irrespective of the above, 11 repair and production plants subordinated to the Ministry of National Defense will retain the status of state enterprises, and the minister of national defense will remain their parent agency.

At his recent appearance before the Sejm, W. Niewiarowski, minister of industry and trade, mentioned the conditions needed to translate this entire program into reality. Among others, he mentioned restricting the so-called arms export blacklists to the countries to which United Nations resolutions apply.

[Box, p V]

The Ministry of National Defense Has No Money

In 1990 we spent on defense \$405 per 10,000 capita, compared with \$2,250 for Czechoslovakia, \$3,000 for Greece, and \$6,450 for France. Per 10,000 troops,

defense expenditures in Poland amounted to \$51, in Czechoslovakia \$178, and in Germany \$756.

In the 1991 budget of the Ministry of National Defense, Z6.466 trillion was appropriated (as per State Budget Law) for purchases of equipment and armaments. In reality, the ministry's purchases totaled Z2.900 trillion. The 1992 draft budget appropriated only half as much as last year: Z3.259 trillion. At the last moment, the Sejm's Economic Policy, Budget, and Finance Committee

forced through a Z300-billion increase in that appropriation. However, practically no new defense orders have been placed this year. The 1992 monies are being spent chiefly to pay for purchases that had been postponed until this year.

Year after year, the budget of the Ministry of National Defense has been shrinking, which reflects the state's general financial situation. This year, the ministry will earmark only 12 percent of its budget for arms purchases. A year ago it was 16 percent, and, in 1986, 34 percent.

By November 1995, the Following Figures Will Characterize the Polish Armed Forces

	1991	November 1995
Personnel	299,000	250,000
Of which:		
Naval personnel	19,600	16,000
Tanks	2,850	1,730
Armored combat vehicles	2,377	2,150
Artillery (caliber more than 100 mm)	2,300	1,610
Aircraft	551	460
Combat helicopters	29	130
Ships	164	80

U.S.-Polish Tariff Protection Compared

93EP0039A Warsaw RZECZPOSPOLITA in Polish
13 Oct 92 p II

[Article by Leszek J. Jasinski: "Tariff Protection in Poland"]

[Text] There exist several different ways of measuring the extent of the tariff protection of a country's economy. One such way is by determining the quotient of the total duties paid and the value of the imports. We chose precisely this method in order to evaluate tariff protection in Poland last year and this year.

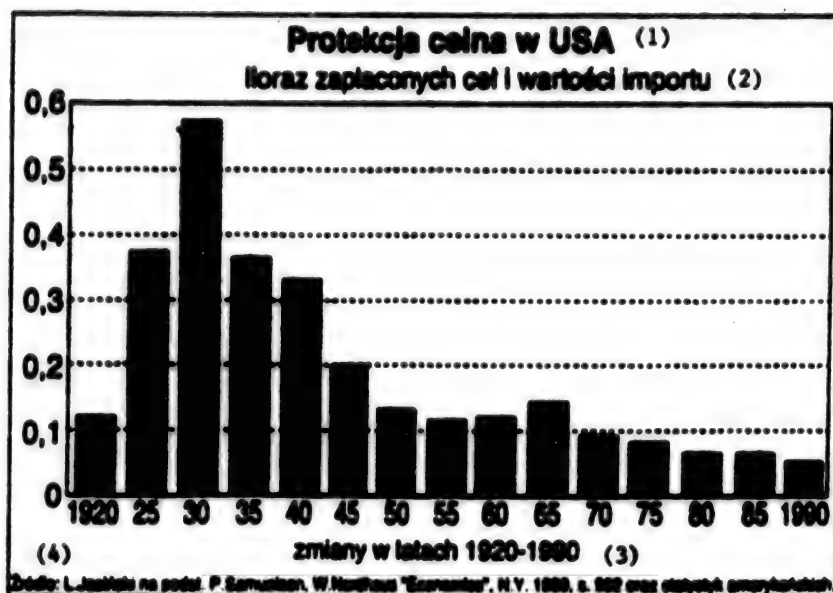
The approach has a negative aspect: When dividing duties by imports, the importation of merchandise per month is not always compared with the corresponding duties. This year, data on the volume of foreign trade is not being published; only data on the balance of payments, although that seems less suitable, is available. Of necessity, we used the data on payments, but, for 1991,

we used both kinds of statistics, and the findings proved to be relatively close for both.

The results of the calculations are presented in Chart 1. We found that, until May 1991, tariff protection was at the level of 7-8 percent, but, in June, it reached 15 percent, only in order to diminish in March 1992. In the last few months of the analysis, it ranged from 4 to 8 percent.

Noteworthy is the explicit decline in the ratio of duties to imports in 1992, although, quantitatively, the amount of duties paid in 1992 did not diminish. Tariff protection in the period from the summer of 1991 to the beginning of 1992 can be defined as relatively high; afterward it clearly declined. For comparison, we present the findings of an analogous analysis for the United States; the figures are annual averages over a longer period of time (Chart II).

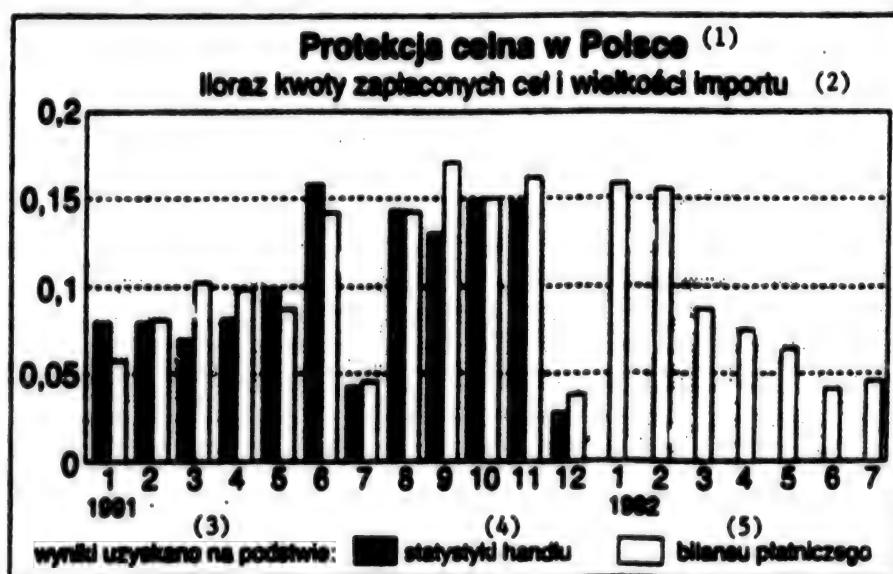
Compared with the findings for the United States, Polish tariff protection fluctuates greatly in time. This is due to both frequent revisions of the customs tariff and the fact that, in the case of Poland, we analyzed the situation in terms of discrete months rather than of years.



Key:

1. Tariff Protection in the United States
2. Quotient of Duties Paid and Value of Imports
3. Changes over the years 1920-90
4. Source:

L. Jasinski, based on W. Nordhaus's *Economics*, N.Y. 1989, page 932, with U.S. statistics



Key:

1. Tariff Protection in Poland
2. Quotient of Duties Paid and Magnitude of Imports
3. Findings derived on the basis of:
4. Trade statistics
5. Balance of payments

Differences Over Polish-Russian Debt Repayment

93EP0033C Warsaw RZECZPOSPOLITA in Polish
25 Sep 92 p 1

[Article by Anna Wielopolska: "The Zero Hour? Polish-Russian Debt Negotiations"]

[Text] For the first time, the Russian side responded concretely to our initiative and specified a date for talks on resolving mutual Polish-Russian debt problems. Prime Minister Yegor Gaidar, whose visit to our country is scheduled for 2 October, is to be accompanied by Russian Deputy Minister of Finance A. P. Vavilov, who is to meet with Polish Deputy Minister of Finance R. Michalski in order to agree on a procedure for clearing the mutual debts.

As recently stated by Deputy Prime Minister H. Goryszewski, the Russian side is inclined to adopt the zero option, meaning mutual debt forgiveness, even though the Russians consider this alternative unfair to them.

The most difficult aspect of negotiations on this topic is the question of the currencies, in which are reckoned the obligations and the currency conversion factor to be applied. Polish obligations to Russia date back to the 1970's, when the USSR granted us credits compensating for the increases in prices of Soviet export goods. Those credits were granted in transfer rubles, and their total ultimately climbed to 4.9 billion rubles. The debt was enhanced by another loan, granted at a time when martial law was imposed on Poland; that time the loan was granted in convertible currencies, and its value was \$1.8 billion.

On the other hand, Russia owes us money for our export surpluses. In 1990 and early in 1991, Polish enterprises exporting to the countries of the former USSR were not paid in most cases. Those exports were based on inter-governmental agreements, but, by then, in the conditions of liberalized trade. Polish enterprises shipped to Russia chiefly food, grain, feeds, potatoes, and even the production surpluses of alcohol distilleries. The value of the thus-exported commodities is estimated at more than 7 billion transfer rubles.

The Russian obligations also include more than \$300 million representing the equivalent of the part of exports calculated on clearinghouse principles. That method was applied experimentally, with the object of finding a solution for calculating the value of the nonconvertible ruble. The Polish side has also a positive balance of trade due to the implementation of the agreement on exports and imports reckoned in national currencies. Being more active, Polish enterprises earned a surplus of approximately 30-40 million rubles. Altogether, Polish claims total 7.5 billion rubles and nearly \$340 million.

Once the effort to determine the value of the obligations is undertaken, all debts should be reduced to a common denominator—that is, to a single currency. The best

solution would seem to reckon the obligations in terms of dollars, and we opt for a ratio of 1:1, as was done in the case of similar negotiations between Russia and Hungary and between Russia and Czechoslovakia. The Russians, however, believe that the conversion factor should be determined depending on the value of the transfer ruble during particular periods of trade.

In addition to the disputes on the conversion factor, the Russians put forward claims as to the amount of obligations, specifying volumes of sales by individual enterprises at levels quite different from those reported by the Polish side. The criteria applied in this connection often elicit protest: The Russians contend that some of our exports were speculative in nature. But they have never presented proof of that allegation, merely alleging that, in specific transactions, the prices agreed upon between suppliers and recipients were higher than those prevailing on the local market. The Russians argue for adopting a lower conversion factor, even as low as 1:0.5, in favor of the ruble.

Deputy Prime Minister H. Goryszewski wishes that the zero option be adopted for resolving mutual debts, on the same principle as in the case of the relinquishment of mutual claims with regard to the withdrawal of Soviet troops from Poland. Those troops pledged themselves to take along movable property but leave behind immovable property. The problem lies in defining more precisely certain terms, Deputy Prime Minister H. Goryszewski stated, as "not everything that can be removed from earth is movable property."

[Box, p 1]

Dreams and Reality

At the forum of the Sejm's Committee for Foreign Economic Relations and Navigation, Deputy Prime Minister H. Goryszewski reported on the results of a conference in Kaliningrad. His report did not meet with a favorable reception from the deputies; they viewed those results as too generalized and unspecific. They asked why Poland is not starting to build the Kaliningrad-Elblag-Gdansk Highway, and why it is not opening new border crossings on the 200-km segment of the Polish-Russian border. Deputy Prime Minister Goryszewski answered that the country's financial situation does not allow such an extensive and as yet unnecessary investment project.

On the other hand, historical analogies found confirmation when Minister Goryszewski declared that what matters most to Poland is that, for the first time in 600 years, it will not directly adjoin Russia—outside the Kaliningrad enclave. This demands of our side a new political doctrine, but, right now, economic issues are most important.

The principal expectations connected to the coming visit of Prime Minister Gaidar to Poland (on 2 October) concern mutual debts and the final decisions on the

withdrawal of Russian troops. During his visit, an agreement on protecting mutual investments is also to be signed, along with a protocol on shipments of raw materials in 1993. It may be that the visit of the Russian guests will also bear fruit in the form of new solutions facilitating Polish-Russian trade. To be sure, barter trade will still be practiced between these two countries for the next few years, but the establishment for this purpose of a special clearing bank or consortium is certain to streamline it somewhat.

Foreign Investment Growth Evaluated

93EP0023D Warsaw *RZECZPOSPOLITA (ECONOMY AND MARKET supplement)* in Polish 17 Sep 92 p 1

[Article by Katarzyna Jedrzejewska: "The Best Business, Foreign Investments in Poland"]

[Text] Among the countries that were invited to the Tuesday meeting of the OECD Advisory Group, only Poland can congratulate itself on a growth in foreign investments. The others, Czechoslovakia, Hungary, Ukraine, and Russia, reported a drop.

These good statistics Poland attributes mainly to investment in Kwidzyn. The biggest foreign investment in this part of Europe, jointly with Fiat, is now anticipated by everyone. As is known, at first, the Italians were to invest approximately \$180 million. The actual multiyear capital program calls for investment in the order of \$850 million. The Fiat capital involved in assuming the obligations of FSM (the compact car plant) would require \$2 billion.

In spite of the fact that predictions for this year are promising, in Poland they do not reach even one-half the investments in Hungary. Hungary estimates that the value of foreign investment there will reach \$4.5 billion by the end of the year. The real capital involved in our country should reach \$2 billion by the end of the year. Capital expended will reach \$1 billion, which represents a two-fold increase in comparison with last year (1991, \$0.5 billion, 1990, \$224 million).

After returning from Paris, Bogdan Chojna, president of the State Agency for Foreign Investment (PAIZ), told journalists: "If the government would take bold steps in the matter of potential foreign investment in the Polish petrochemical and copper industry, the statistics would undoubtedly improve. In KCM [Copper Mining and Metallurgy Combine] some investment plans are estimated to be \$1-2 billion.

"In Paris, one could feel a certain informal ranking of reputations. Czechoslovakia was ranked first."

The president of PAIZ admitted that we have a little work to do. We were delicately reminded of the matter of a change in attitude toward investors who invested their capital in casinos. The ambivalence of our attitude toward investors interested in the petrochemical industry was also mentioned. Most of all, however, it was

stressed that stabilization of regulations is most necessary. President Chojna said: "Perhaps even more than creating allowances and privileges." It was stated that not only Poland, but all of these countries lack awareness of the need for foreign investment. The president of PAIZ said, "Meanwhile, on a macro scale, this is one of the best interests that one might imagine. It is the best business."

The OECD Advisory Group agreed to consider the Polish proposal that they meet next in Warsaw instead of Paris.

Data on foreign investments in Poland (as of the end of August, 1992):

The total number of companies with foreign participation exceeded 8,000. Investors employ 117,600 individuals (1.3 percent of the total workforce in the national economy). The investment share in products sold exceeds 4 percent. Germans have the most invested, 37 percent (670 companies). Swedes are second, 8 percent; Americans, third, 7.9 percent (144 companies). These are followed in turn by Austrians, French, English, Italians, and Dutch. As to the value of capital investment, the Americans are first. The greatest number of companies with foreign participation, 25 percent, are companies in the Warsaw voivodship, 567 companies. The Gdansk and Katowice voivodships are in second place with 8 percent each.

Financing of Budget Deficit Discussed

93EP0027E Warsaw *RZECZPOSPOLITA* in Polish 19-20 Sep 92 p 1

[Article by Katarzyna Jedrzejewska: "How To Plug the Budget Hole? The Economic Committee of the Council of Ministers Meets"]

[Text] Instead of 65.5 trillion zlotys [Z] the budget deficit will probably reach Z88.9 trillion. For the time being we know how to offset Z64.9 trillion. At the Friday (18 September) meeting of the Economic Committee of the Council of Ministers, funding sources offsetting the remaining Z24 trillion deficit were discussed.

It is likely that the material expenditures (other than salaries) of budget units will be reduced by 3-3.5 percent. Other funding sources also are being considered: an increase in certain receipts (raising the sales tax is being unofficially mentioned), and enlarging the share of the banking sector in financing the budgetary deficit.

The proposals shown to reporters do not point, however, to any such enlargement of the role of the banking sector: as envisaged in the 1992 Budget Law, the banking sector is to finance Z51.9 trillion (of which the National Bank of Poland alone, Z30 trillion). On the other hand, receipts from the sale of Treasury bills and bonds will probably be greater. As a result, in addition to the originally envisaged Z61.9 trillion from domestic

funding sources, Z6 trillion more will be obtained. On the other hand, however, instead of the anticipated Z3.6 trillion in foreign credits, we will probably have to pay an additional Z3 trillion to service our foreign debt. This means that for the time being only receipts offsetting Z64.9 trillion of the deficit are certain. As for the remaining budgetary deficit, the ministry of finance is discussing it with the chairman of the National Bank of Poland (NBP) (financing by the NBP), and with the minister of labor and social policy (reducing the expenditures on the Social Security Fund and Farmers Social Security Trust).

This year receipts will probably be 10 percent lower than anticipated. Instead of Z337.6 trillion the budget should receive Z303.2 trillion. It is expected that spending will total Z392.1 trillion instead of the Z403.1 trillion specified in the Budget Law.

The forecast till year end is based on the assumption that the inflation should not exceed 43 percent. It is also expected that the economic uptrend, observed since July, will persist. Thus while budgetary receipts during the first half of this year averaged Z21.9 trillion, and in June Z22.7 trillion, in July they surged to Z27.1 trillion and in August to Z28.6 trillion. But this will not suffice to make up for the losses due to the lower receipts from the sales tax and privatization during the first half of the year.

On Friday the Economic Committee of the Council of Ministers accepted the document "On the Recovery of Public Finance" and transmitted it to the Council of Ministers for consideration (on 22 September). As known, this is one of the government's five priority programs. Under this program a draft law on the value-added tax has already been transmitted to the Sejm. It is also expected that the Ministry of Finance will prepare:

- A new law on local fees and taxes and on the finance of local governments.
- The introduction of a system of radical incentives for Treasury and customs personnel.
- Legal regulations making it easier to collect the excise tax.
- More explicit rules on the granting of subsidies from the state budget.
- Detailed rules for public bidding and purchases.

The government will streamline the procedure for funding investments from the state budget. Enterprises implementing government investments will be commercialized turned into joint-stock Treasury companies.

At its meeting the Economic Committee of the Council of Ministers also discussed the problems of the capital market in Poland. The Securities Commission reported on the conditions of the growth of that market and the attendant results for the first half of this year. The commission estimates that the profitability of investments in the capital market is low. The system for the taxation of bank income and on the capital market is not

cohesive. The commission proposed in this case a neutral system taxation the same regardless of the nature of the investment.

Credit, Tax, Enterprise Plans for 1993

93EP0031E Warsaw RZECZPOSPOLITA in Polish
2 Oct 92 p III

[Article by Antoni Kowalik: "Assumptions of Socioeconomic Policy for 1993: What Can Companies Expect?"]

[Text] Economic policy, as predicted in the assumptions, will be oriented toward, among other things:

- The growth of the private sector in the economy, by promoting private enterprise and privatization and providing favorable conditions for foreign investors.
- Stimulation of an economic upturn by protecting the demand for domestic output and providing the conditions for cheaper credit.

In this connection, one of the government's priorities is the restructuring and privatization of enterprises. The privatization of most state enterprises will be accelerated, as will be changes in the principles of management of the remaining enterprises. This will serve to orient state enterprises to operating at a profit and growing.

The selection of the future organizational form or method of privatization at individual state enterprises will be co-decided by the enterprise workforce and a representative of the State Treasury who acts on behalf of the owner [the Treasury], on terms defined in the "Pact on the State Enterprise." At the same time, roadblocks to the growth of small and medium enterprises will be eliminated.

Cheaper Credit

The government will introduce loan guarantee and loan insurance systems serving to reduce the risk to the banks and hence also to reduce the cost of credit. These systems will apply especially to exports and the modernization projects promoting the exports of farm products, and also to housing construction and restructuring investments, especially those with short implementation cycles based on the newest technological solutions, and to small businesses. It is emphasized that a reduction in the interest rate is a prerequisite for an investment revival as well as a factor assisting the efforts of enterprise workforces to become participants in the privatization.

Changes in the level and structure of budgetary spending on direct and indirect promotion of investments will be initiated. This concerns verifying the scope of funding of the investment projects that had previously been commenced as central investments, halting the initiation of budget-supported large investment projects, and augmenting the funds for promoting the development of a financial infrastructure enabling the state to support

investment initiatives. The government will also consider allocating some funds for projects with a short payoff period that at the same time are socially important.

Taxes—Rebates and Modifications

Tax policy predictions include the activation of a system for monitoring the tax rebates and temporary exemptions granted in the previous years, especially as regards new enterprises established with the declared purpose of engaging in specified businesses. The tax on wage increases will be modified. The obligatory "dividend" [tax on assets] paid by state enterprises will be abolished, as will be the fees for the utilization of the assets of single-person Treasury-owned companies. In addition, the existing income tax rebates for enterprises operating in high-unemployment regions will be maintained, and additional rebates will be granted to investors who commence operations in those regions and create new jobs. The assumptions also presuppose maintaining tax preferences for scientific research. The government will undertake to create a new system of incentives for economic initiatives and in particular for technological progress in industry.

As for the policy on prices, the processes of enterprise adaptation [to a free-market economy] will be supported by, among other things, fixing maximum tax liability rates (e.g., as regards the fees charged for the development of natural resources and utilization of environment) at a level equal to that of the index of output sales prices for 1992. Also envisaged is a mandatory upward 28-percent, on the average, reappraisal of the value of fixed assets, on equal principles for all. This will afford the enterprises an opportunity to obtain funds for investing.

In the arms industry, next year the adaptation of productive capacity to actual and anticipated needs will be continued, along with improvements in the efficiency, competitiveness, and innovativeness of production.

It is expected that the duties and sales taxes paid on imported producer goods serving for the manufacture of exportable products will continue to be refunded. After the value-added tax is introduced, exporters will be provided with an even higher tax rebate, because for them this tax is refundable. Likewise, rebates on the tax on wage increases will be maintained for exporters.

Policy Toward Enterprises

It is emphasized that state enterprises are the principal type of enterprises in Poland from the standpoint of the products offered, employment, commitment of public wealth, and receipts of the state budget. Therefore, ways of stimulating economic growth cannot be considered without paying special attention to this group of enterprises. Thus:

—In 1992 the work on a draft law governing the rules for representing the State Treasury and managing its

property will be finalized. The purpose of that law is to create a new mode of ownership of state property. In addition to the already existing Agricultural Ownership Agency under the Treasury, which acts as the owner with regard to state farms, it is necessary to establish similar institutions acting in that role with regard to state property in other domains of the economy.

—Legislation will be amended so as to spur a more active participation of workforces in determining the ways of transforming [privatizing] state enterprises and changing the nature of their operations.

Under the proposed amendment of the Law on State Enterprises and the law on the Privatization of State Enterprises, employees of well-performing such enterprises are to decide on the method of their privatization within about 3 months. Their representatives will be able to choose among the following alternatives, in negotiations with the management:

- Sale of enterprise to a big domestic or foreign investor.
- Sale of stock through a public offering.
- Purchase of enterprise by the governing board or the employees.
- Transfer of controlling share to a mutual fund, e.g., a pension fund.

At the enterprises which forfeited financial liquidity employees also may commence privatization, on condition, however, that composition agreement proceedings or bank agreement proceedings with creditors be concluded. A prerequisite for concluding such agreements is the development of a program for restoring financial health to the enterprise.

Small state enterprises will be, regardless of their financial situation, able to form employee-owned joint stock companies which will administer their assets on the basis of a leasing agreement or buy them outright. If the enterprises are in debt, these employee-owned companies must obtain the approval of a bank before they can lease the enterprises or their assets.

Enterprises which do not decide on their own which road to privatization to choose will be, by law, transformed into single-person Treasury-owned companies by a decision of the minister of ownership transformation or the parent agency (a Treasury representative). These enterprises can be managed on the basis of management contracts. Smaller state enterprises will be leased to partnerships of individuals, sold, or merged with other companies.

Special legislation (a law on the financial restructuring of enterprises and banks) will be introduced to enable enterprises which have developed a restructuring program to conclude composition agreement proceedings with a bank and with at least one-half of their creditors to repay their debts in installments or to exchange these debts for stock in the enterprises transformed as part of these proceedings into single-person Treasury-owned

companies. Similarly mutual debts of enterprises will be liquidated through public trading in these debts.

Jointly with the World Bank, work is continuing on establishing in 1993 an investment fund that could be a credit funding source for the enterprises presenting restructuring programs.

As regards social services at workplaces, the assumptions presuppose the establishment, in lieu of the traditional two funds, the social fund and the housing fund, of a single social services fund. Basic deductions to that fund will be mandatory at all workplaces regardless of the mode of their ownership. It is expected to amount to 20 percent of the average wage, as increased to 37.7 percent through negotiations with the trade unions.

NIK Defends Views of Privatization

93EP0023A Warsaw *RZECZPOSPOLITA (ECONOMY AND MARKET supplement)* in Polish 18 Sep 92 p 11

[Interview with Piotr Kownacki, Supreme Chamber of Control vice president, by Mariusz Pawlowski; place and date not given: "Without Political Context"]

[Text] [Pawlowski] At a recent conference, Minister Janusz Lewandowski stated that postinspection reports of NIK [Supreme Chamber of Control] pertaining to the Ministry of Privatization (MPW) are being used for political games, and by presenting only the negative side of property reorganization, are causing a decline in public acceptance of privatization.

[Kownacki] A distinction must be made between political exploitation of NIK reports, by the opposition for example, and politicizing the materials themselves. I absolutely cannot agree with the latter since the ministry is trying to create the impression that the inspection had political purposes. It is natural, on the other hand, for critical suggestions to be taken up by the opposition. It must be stressed that NIK inspections are routine and cyclical tasks entrusted by the Sejm. Their basic purpose is to indicate errors, primarily to correct faults and improve organizational and legal solutions. This is also the basis for the specifics of our reports, which in their essence indicate irregularities. This does not mean, however, that we do not notice the positive aspects.

[Pawlowski] MPW officials, refuting NIK charges, cited the argument that their activities were not conventional, that there was a lack of experience that would provide a point of reference for evaluations and that the law was not applicable to the process of privatization.

[Kownacki] I cannot agree that the MPW specifics allow disregarding the law. At the same time, it is difficult to say that by-passing the law would produce better results in privatization. The purpose of our analysis was to compare expectations with the results of MPW work and its accord with binding laws, including fulfillment of the budget for 1991. I admit that the predictions of the budget leave much to be desired and this should be kept

in mind in the future, but the MPW attitude indicates that impossibility of realizing the assumed contribution to the budget was imposed from the top. If this was the conviction, however, this should have been signaled during the construction phase of the state balance-sheet.

[Pawlowski] In the activity of the ministry and the whole process of privatization, opportunities were noted for rapid economic reform. In less than two years, confidence in the success of restructurization has clearly diminished, as is indicated by results of sociological studies. Is this related to MPW activity?

[Kownacki] We must not expect that after privatization everything will be changed. We must wait for its effects. Only after several years will we know that today's decisions were proper. As far as MPW is concerned, I would like to stress that no one, NIK included, is saying that the ministry has no successes at all. The question is only whether it attained them "owing" to legal infractions or "in spite" of them. On the basis of inspection reports, I am inclined to say, "in spite" of them. What would it hurt to prepare agreements in Polish as well or getting acceptance of the legal department of MPW before signing a decision. Minister Lewandowski's call for the "play of the market" during privatization is controversial argumentation. There is neither a classical market nor can we unequivocally say that higher expenditures on privatization, for example, for financing consulting firms, would make greater benefits possible.

[Pawlowski] Minister Lewandowski predicted modifications in the work of the department; do these suit NIK?

[Kownacki] MPW took our suggestions into account day by day. Minister Lewandowski signed the inspection report of NIK without adding any stipulations or explanations though he had a right to do that. For this reason, I cannot understand on what he bases his present claims. I hope, however, that the combined efforts of our inspectors and the ministry's determination to change will bring about the desired results.

Competitiveness, Productivity of Industries

93EP0027C Warsaw *RZECZPOSPOLITA* in Polish 19-20 Sep 92 p 1

[Article by Antoni Kowalik: "The Competitiveness of Polish Industry: More Is Going Under"]

[Text] The average productivity of labor and capital in Polish industry was 0.82 in 1990 and 0.73 in 1991. That means a relatively low level of competitiveness, and one that is worsening with time. It is largely due to the decline in industry's earning capacity and the low utilization of its productive capacity.

How To Calculate

According to studies cited by Antoni Stolarek of the Promasz's Office of Economic Studies and Consultantcy

at the Notex '92 Conference, the assessment of competitiveness from the standpoint of the venture capitalist means comparing the attainable income with the extent of the outlays (of capital and labor) that must be made to maintain sales (quantity and quality) at a specified level. A measure of the relationship may be the indicator of productivity, reckoned in a manner such that the numerator corresponds to net income, i.e., volume of sales minus the cost of purchased materials and components (net output, or added value), while the denominator corresponds to the sum total of outlays of capital and labor. According to Western economists who use that method of appraisal, if the productivity of labor and capital is equal to or greater than 1, it means satisfactory competitiveness with other suppliers of similar products. Values below 1 point to absence of competitiveness.

A Menacing Decline

The studies cited above concern assessing the competitiveness of about 130 production sectors, and they were based on the mean indicator of the productivity of labor and capital in 1990 and 1991. They show that the first, highly competitive group comprises 33 sectors which together account for some 35 percent of the overall volume of sales of industry, of which 13 percent for the electrical and thermal energy generation sector. Last year these sectors accounted for only about 15 percent of the exports of Polish industrial products; it means that sectors with lower productivity accounted for a considerable segment of exports.

The group of high-productivity sectors includes only a few of the branches decisive to the structure of Polish industry, namely: brown coal and coke, extraction of crude petroleum and natural gas, the energy industry, copper metallurgy, pharmaceuticals, herb growing and processing, and the brewery industry. That means that most of the sectors which traditionally dominate industrial employment belong to other, less competitive groups.

The second group of industries isolated in the studies is those of limited competitiveness that even so is higher than the average for Polish industry. This group comprises 36 sectors manufacturing, among other things, industrial metal products such as junction components, springs, etc., and certain branches of the machinery industry (among others, mining, metallurgical, and casting machinery, chemical apparatus, machinery for the food and pulp and paper industries, mineral-industry installations, and power facilities), as well as means of automation, measuring devices, organic and household chemicals, cosmetics, clothing and underwear, most of the products of the building materials industry, the meat industry, the egg and poultry industry, and the industry of spirituous beverages.

The third group contains 64 sectors with definitely unfavorable productivity and competitiveness, and it includes such branches as the [black] coal, ferrous metals, metal household appliances, energy machinery

and installations—including diesel engines, machine tools, farm machinery, tractors and fertilizers, automobiles, electronics, furniture, most products of the lumber industry, the textile and leather industries, the dairy industry, the sugar industry, vegetable and fruit processing, garment industry products, tanneries, products of the cotton, wool, and silk industries, footwear, construction joinery, toys, sugar, wines, the refrigeration industry, etc.

What is more, as Antoni Smolarek [as published] emphasizes, many of the sectors in the highly competitive group are displaying an explicit and menacing decline in productivity. This concerns, among other things, the railroad rolling stock industry, which had an indicator of 1.36 in 1990, but a year later only 0.64; the plastics industry, for which the indicator declined from 1.37 in 1990 to 0.88 in 1991; and sulfur mining—to 0.85 from 1.31.

Excessively High Expenses

Only a few of the industries with a high degree of processing are included in the highly competitive group—plastics, paints and lacquers, pharmaceuticals, and also the confectionery, food concentrate, cigarette, and printing industries. Most others have to be classified in the third group, in which competitiveness is below average. This applies to, among others, the producers of ball bearings, basic machinery and equipment, computers, medical equipment, automobiles, electronics, and knitwear.

The author of the study emphasizes that the present state of the economic competitiveness of the products of Polish industry is simply perilous. The indicators serving to measure it are low. The income that can be allocated for wages, mandatory fees and taxes, and expansion, is generally lower than the needed outlays of capital and labor. The study indicates that for every zloty in outlays there is only 0.75 zloty in income. What is more, the production sectors with a low degree of processing turned out to be the most competitive. It would be desirable to raise competitiveness in the sectors and branches important to the economy, such as agriculture, or of technological importance, such as electronics, or of social importance, such as the textile industry. But this would require a far-reaching restructuring of these sectors. It would also be expedient, as the study emphasizes, to channel initiatives and measures based on domestic capital in the direction of the highly competitive sectors, that is, where the opportunities are the greatest, so that the surplus funds thereby earned could be used to restructure the industries which cannot stand on their own feet but which belong in the domain defined as "higher need."

Needs, Funding for Industry Restructuring Outlined

93EP0022C Warsaw RZECZPOSPOLITA in Polish
17 Sep 92 p 1

[Article by Antoni Kowalik: "The Restructuring of Industry Will Require 500 Trillion Zlotys: What Industrial Policy"]

[Text] "Had the industrial policy been consistently pursued earlier, the loss of confidence in the reforms with which we are dealing now would never have set in," declared Edward Nowak, deputy minister of industry and trade, in his speech at the Sixth National Conference Notex '92 devoted to the proexport nature of that policy as providing an opportunity for reviving the economy.

The Ministry of Industry and Trade has drafted assumptions of industrial policy that will first be presented to the Economic Committee of the Council of Ministers. If they are accepted, they will be adopted by the government. Thus, this is as yet only the ministry's draft.

The basic goal of that policy as specified in the draft is to increase efficiency, competitiveness, and innovations under a market economy. The objectives to be accomplished in that connection were classified into two groups: short-term and long-term. The former and most urgent objectives are, according to the draft: halting the recession, stabilizing the conditions of economic activity, and promoting the market economy—that is, the restructuring of industry and a consistent implementation of privatization. The point is that, in two or three years, at least one-half of the GDP [gross domestic product] would be generated by the private sector.

The other objectives, which might take longer—say until the year 2000—include: creating a climate promoting greater competitiveness and efficiency, increasing exports, promoting the growth of small and medium enterprises, supporting Polish R&D work, ecodevelopment, and the creation of a labor market.

The document emphasizes that industrial policy is an element of economic strategy and should mesh with other programs initiated and implemented by the government, such as ecological policy or the concept of national land use and management. But the initiative for and the creation of an industrial policy should come from the Ministry of Industry and Trade, while discrete instruments for influencing industry should be administered by other ministries. The point, however, is that a single common concept, adopted by all and binding on all, be implemented.

The implementation of the adopted assumptions should, as emphasized in the ministry's document, proceed in two directions: They should be problem-oriented and sector-oriented. The government's role will be to assure optimal conditions for the existence and growth of enterprises by creating appropriate organizational-legal, economic, and program solutions for a broadly conceived restructuring; the proposals include eliminating

the tax on wage increases and on enterprise assets as well as providing enterprises with debt relief. This is the problem-oriented approach. But, during the period of adaptation to the new economic system, the government cannot relinquish the sector-oriented approach—that is, a differentiated approach to the protection of and intervention in selected sectors of industry. As to where the government is to commit its assistance and how, that should depend on the findings of sector studies, monitoring, and other analyses. Such interventionism may be confined solely to consultation or training, or it may consist in financing studies, granting loan guarantees, mobilizing special funds, and so forth.

The principal purpose of the sector-oriented approach in industrial policy is, as envisaged in the draft, to support the enterprises and products that are competitive or warrant hoping that they will be. The next few years of implementation of an effective industrial policy should result in stimulating growth in the domains that, at present, have a chance to develop, and in liquidating inefficient enterprises.

The sectors that should be restructured under special supervision by the state are, according to the draft, the defense and the fuel-and-energy industries, as well as such highly energy- and capital-intensive industries as the metallurgical, cement, shipyard, and pulp and paper ones, and also the chemical industry. In addition, this list also names "higher need" sectors—that is, the industries currently in regression that should nevertheless play a significant role in the economy. This concerns, among others, the petrochemical, electronics, automotive, packagings, pharmaceutical, and light industries as well as the industry producing for the needs of processing and ecology.

Once more about funding. The aggregate cost of the restructuring of industry that must be defrayed until about the year 2000 is estimated at 500 trillion zlotys. This is not, of course, the kind of money that has to be paid out right away. This concerns foreign credits and assistance, the amount of funds that should be spent on environmental protection and the modernization of manufacturing technologies, and the effects of tax rebates or customs policies. That is because most of the estimated expenditures are indispensable to the continued operation of discrete enterprises and keeping industries running, regardless of the assumptions of industrial policy that will be adopted.

Overview of Gas-Supply Reliability, Reserves

93EP0033E Warsaw RZECZPOSPOLITA in Polish
21 Sep 92 p 1

[Article by Danuta Walewska: "Peak Season Problems: Will We Have Sufficient Natural Gas?"]

[Text] In January 1991, owing to the collapse of agreements with the Russians, they suddenly halted shipments of natural gas to Poland. This year, as a result of a food-for-gas barter deal, Poland will be provided with 1.5-2 billion cubic meters of the gas. We shall also receive certain additional quantities of the gas under the Yamburg and Orenburg agreements. Altogether, this will provide us with 5.2 billion cubic meters of the fuel. But our needs, though much lower nowadays in view of the recession in Polish industry, still reach 7 billion cubic meters. Is a repetition of last year's situation threatening?

The biggest gas users in Poland are the steel and chemical industries; of the latter, especially the nitrogenous fertilizers industry. These two industrial subsectors have in the past three years reduced their gas consumption by 3 billion cubic meters annually. The greatest problem of the gas importer in Poland is that Poland has no contract with the Russian exporter, Gazeksport. But there exists a possibility that a contract will be signed as soon as this month or in October. "Whether and when, we shall learn only after the fact because only then we can be certain," Aleksander Findzinski, director general of Polish Petroleum and Gas, told RZECZPOSPOLITA.

But the truth also is that the Russians, too, need natural gas, especially in the peak season—that is, from December to April. We thus cannot expect them to provide us with more gas in a season when our demand also is at its peak. The most reasonable solution to this situation would be to accumulate the largest possible quantities of natural gas during the off-season, but, of course, we lack suitable storage facilities. Even so, however, we have leased facilities in Ukraine and filled salt-mine caverns in Mogilna. Other plans envisage storing the gas in the sea, where the size of storage facilities could be practically unlimited.

Thus, for the present, we have a reserve of 1 billion cubic meters of natural gas, which is roughly enough for one month in the peak season, should problems with the supply arise. Last year we had not been prepared for this eventuality. At any rate, private consumers always get preferential treatment, while industry, which uses cheaper gas and, moreover, often fails to pay for the deliveries, receives second-class treatment. It is exactly for industrial customers that 16 (once 10) degrees of supply priority have been introduced. Degree 16 means complete cut-off of that energy source.

The prospects for an adequate gas supply for the so-called Black [extremely polluted] Triangle in the Walbrzych region, where, also owing to considerations of environmental protection, black coal is not used for heating purposes and a gradual transition from coke-oven gas to high-methane gas has commenced, are quite good. Facilities will have to be modified because coke-oven gas is "dry," whereas methane gas is "wet." But the benefits are evident. Such an operation was feasible owing to good cooperation with a German company that had purchased too much gas for the needs of eastern Germany and now has problems getting rid of it, so that

it has agreed to transfer it to Poland via Zgorzelec. We in our turn are transferring some of our gas in the north to Germany, via Uznam Island.

This cooperation is an example of our exploration of alternative sources. As also known, gas deposits will have to be explored elsewhere, most probably in the North, in the British and Norwegian shelf. Another alternative is gas from Algeria. In these matters, Poland is holding talks with Conoco, Texaco, and British Gas because foreign capital would have to be involved in such an investment and in the construction of gas storage facilities, as well.

If we overview the existing transmission routes, it will be seen that, so far, gas transit routes have been bypassing our country. This is a consequence of former and not too well conceived strategic decisions because Poland has thus deprived itself of both supply opportunities and transit fees. Gas pipelines run under the earth's surface and thus are not environmentally harmful, unlike other energy transmission lines. Gas is moreover one of the cleanest energy sources. West Europe meets 30 percent of its energy demand precisely with gas, whereas, to us, even 25 percent would as yet be only an aspiration because gas currently meets only less than 10 percent of Polish energy demand. It has also turned out that we can manufacture gas turbines with the aid of high technology (at ABB Zamech), and, thus, gas can provide both energy and heat. Gas is also increasingly often mentioned as a heat source for private households. It is clean and inexpensive and can therefore be used in apartment-house boiler rooms.

But all of these plans cannot be implemented earlier than 1997-98. Moreover, every potential investor wants to know the same thing: Will we pay for the gas we intend to import? Can we afford to pay for such costly investments?

Easy Credit Designed To Help Farmers

93EP0023B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 12-13 Sep 92 p 1

[Article by Edmund Szot: "Low Interest Credits: Five Rights, 10 Billion Zlotys"]

[Text] From the two figures given above, the only one certain at present is the first: five rights to credits. Credits with annual interest rates of 15 percent will be available to farmers for purchasing: seed, mineral fertilizers, and equipment for plant conservation, fodder and fuel. The other figure is less certain, the 10 billion zlotys [Z] which the Ministry of Agriculture and Food Industry are asking for and which were included in the voting agenda of the Sejm proposed by both respective commissions: the Sejm and the Senate. These doubts have not been definitely resolved by Friday's meeting (11 September) of Deputy Prime Minister Henryk Goryszewski with representatives of the administration of the agriculture department, the finance minister, the president of

the National Bank of Poland and presidents of commercial banks, although there are many signs indicating that the matter of preferential credits for farmers is on the right road.

At the end of the meeting, Jerzy Rey, deputy minister for agriculture and the food industry said: "The barrier of Z2.5 billion, which was discussed at the meeting of the commission, will certainly be breached. We are now concerned not about by how much, but how many times. I believe that total credits for farmers of Z10 billion, Z5-6 billion of which they would receive as early as this fall and the rest in the spring, is realistic."

Jerzy Osiatynski, minister of finance, said: "These will be credits at 15 percent interest and intended for supporting simple reproduction in agriculture. This year's expenditures to cover the difference in interest on credits will come from the Fund for Restructuring and Debt Reduction of Agriculture, next year perhaps some other source of funding will be found."

Hanna Gronkiewicz-Waltz, president of the National Bank of Poland, told us that granting these credits will certainly not increase inflation since means have been accumulated to cover the difference in interest rates for credits, and the role of the National Bank of Poland in this operation depends on all credits intended for compensating for the consequences of natural disasters being excluded from the so-called limits of bank indebtedness.

Also, credits drawn by farmers during the fall of this year, like those drawn in the spring of next year, should be repaid after next year's harvest. The right to low-interest credits will be given farmers in all voivodships, but the pool of resources awarded to specific voivodships will depend on the scale of losses caused by drought or other anomalies of the weather, for example, hail. If inflation and interest rates on refinancing credit increase, the interest rates for preferential credit for farmers will also increase. But the degree of such increase will in no case exceed five percent.

Credits will be issued by cooperative banks and regional banks to which commercial banks will send funds. Granting credits will depend basically on the farmers settling charges for their purchases through bank transfers. But since not all expenditures will be covered in this way (for example, expenditures for fuel), it will be cash credit in part. All technical questions on credit granting will be resolved this month.

Using funds of the Fund for Restructuring and Debt Reduction of Agriculture will obviously delay the process of farm modernization, but this is due to the greater need.

Data on Farm Income Parity Questioned

93EP0023C Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 18 Sep 92 p II

[Article by Edmund Szot: "Income of Farmers: CUP Has This Information"]

[Text] The Central Planning Administration (CUP) reports that in 1990 and 1991, the relation of prices received by farmers for agricultural products sold and prices paid by them for materials bought were at a ratio disadvantageous to agriculture. In 1989, this ratio was 107.3 in favor of the farmers, a year later, it had dropped to 49.5 and in the past year, it rose again to 74.8, but it was still disadvantageous for agriculture. In a so-called footnote, CUP "explains" that "income of peasant farms definitely decreased in 1990 and 1991, but in 1990 (!), it was higher by 2.5 percent than workers' income while in 1991, it was lower than workers' income by 10.4 percent."

The figures cited above do not agree in general with the figures of the Institute of Agricultural Economy and Food Industry, universally accepted as most authoritative. Specialists at this institute computed that in 1990, farmers income was 32 percent lower than income of nonfarmers and in 1991, it was 37 percent lower.

True, however, is the CUP statement that in the current year, the prices of farm products are showing a higher rate of increase than industrial products and prices of consumer goods and services. They are also in a more favorable position in relation to basic production supplies.

For agriculture, these ratios were poorest in the third quarter of 1991. Since then they have improved significantly. A C-330 tractor which cost the equivalent of 618 quintals of wheat dropped in price (in the second quarter of this year) to 433 tons; ammonium nitrate (100 kg) dropped in price from 2.43 to 1.47 quintals of wheat; 100 kg of T-2 mix for lard hogs, from 1.78 to 1.34 quintals of wheat; diesel fuel (100 liters) from 4.11 to 3.90 quintals of wheat. A similarly advantageous change in price ratios occurred in other agricultural products: rye, pork and beef animals and milk. But as early as August, prices of some agricultural machinery rose and the fall prices of mineral fertilizers are expected to be 15 percent higher on the average. Prices of farm products did not remain stable during this time, but, as we have already written, they cannot go much higher since they will meet barriers either from demand or from competition of cheaper goods from abroad. In the case of agricultural machinery, the danger of foreign competition is slight (machinery from abroad is significantly more expensive); foreign competition threatens only the producers of fertilizers.

The chance of an improvement in farm income during this year was lost due to the drought. Actually farmers are now obtaining better prices for their products, but because of the significant decrease in yields, they can sell much less of these products. It is estimated that as a result of the increase in prices, the value of total agricultural farm production will be approximately 30 percent greater. In current prices, losses in production will be approximately Z23 billion, including approximately Z13 billion in commodity production. CUP warns that there will be a significant drop in farm income in 1993 and many farms affected by the drought will then not have

the means to resume production. Some of these farms may even need government assistance. CUP believes that 14 voivodships will find themselves in the worst situation: Slupsk, Pila, Koszalin, Gorzow, Zielona Gora, Szczecin, Gdansk, Sieradz, Konin, Poznan, Bydgoszcz, Kalisz, Leszno, and Olsztyn.

State Alcohol Monopoly Under Review

93EP0022A Warsaw *RZECZPOSPOLITA (ECONOMY AND MARKET supplement)* in Polish 14 Sep 92 p III

[Article by Mariusz Pawlowski: "The Alcohol Monopoly: An Opportunity for the State Budget?"]

[Text] Following transient enthusiasm over the liberalization of trade, opinions are again being voiced in favor of preserving the state's monopoly on the principal and on most revenue-producing branches. Traditionally, in Poland, these have been three branches: liquid fuels, tobacco, and alcohol. Concerning the last, a draft law on the alcohol monopoly has been presented in the Sejm, and separate drafts were worked out by an interministerial government team and the National Section on the Alcohol and Yeast Industry. The final decision is up to the parliament.

Landscape of the Battle

On the domestic market, alcohol is manufactured by more than 900 farm distilleries and one industrial distillery, using chiefly potatoes and grain. Thirteen autonomous state enterprises purify and distill the spirits, and 20 companies, of which 18 belong to PPS Polmos, bottle vodka. For certain aspects of the manufacturing process, licenses have also been granted to other enterprises: 30 licenses for the purification and distillation of alcohol, and 37 for bottling alcoholic spirits.

The manufacturing enterprises also often handle the wholesale trade in spirituous products. The traditional exporters on our market are Agros, Polmos, and Baltona. They were joined recently by other companies, mostly operating with single contracts. The right to import belongs to every member on the quota list and has been granted, in the opinion of many, including NSZZ Solidarity, rather fortuitously. Wholesale trade is handled by several hundred state enterprises and commercial- and civil-law companies on the basis of purchased licenses. Retail trade is handled by some 15,000 or so retail sales outlets licensed by local governments.

The Threatened Potentate

Doubtless, the leading role in this industry is played by the Polmos state enterprise. Unfortunately, for the past few years its shipments of spirituous beverages have been steadily declining. Thus, while in 1988 that enterprise sold 154 million liters of vodka in terms of 100-proof alcohol, a year later it sold 138 million liters. This year that amount is most likely to decrease to 120 million liters. In terms of state budget receipts, this means a decline of more than 3 trillion zlotys [Z] in sales

tax revenues. The causes are twofold. First, the steadily rising operating cost makes production unprofitable. Expensive raw materials, obsolete bottling lines, the lack of adequate funds for capital modernization, and the taxes paid are putting Polmos in the red. In particular, there are the higher taxes, which the Ministry of Finance raised in order to try to plug the budget hole. Thus, while in 1991 the sales tax on vodka was 81.3 percent, this year it reached 85.5 percent (decision of 4 August 1992 of the minister of finance). In such a situation, the production of Stolowa, Wyborowa, Krakus, or the standard Polonez vodka is becoming unprofitable. Another reason for the slow decline in the fortunes of Polmos is the competition, especially in imports. It began to make itself felt three years ago.

A Massed Strike

The troubles of domestic alcohol producers began in December 1988, when Dominik Jastrzebski, minister for foreign economic cooperation in the government of Mieczyslaw Rakowski, abolished licensing of the so-called private imports of alcohol. A half-year later, the first columns of cistern trunks appeared at the border crossings. It was then that, following the increases in the prices of Polish vodkas, and, given a customs duty of Z1,000 per liter (regardless of the kind of alcoholic beverage), importation became a profitable enterprise. In September 1989, it became even more profitable: the prices of spirits doubled, while the exchange rate of the dollar dropped substantially. In October 1989, the customs duty was raised to Z20,000 per liter. This did not stop imports, but it promoted smuggling. In December, the prohibition against storing vodkas in bonded warehouses was introduced. The tax was introduced by the government of Tadeusz Mazowiecki as late as January 1990, but foreign nationals were exempt from it. On 1 April, the prohibition against alcohol imports was imposed, and in July the quota on imports of certain kinds of alcoholic beverages was introduced. Half a year later, the NIK [Supreme Chamber of Control] presented to the Sejm a report on "the Alcohol Affair," which indicated that 31 million liters of 100-proof alcohol evaded taxation in the past two years, thus reducing the receipts of the state budget by more than Z2 trillion. But a different set of figures was presented by the Ministry of Finance: The losses totaled nearly Z170 billion, and the tax arrears were slightly above Z34 billion. Which figures are true remains a mystery to this day. The difficulty of verifying them is demonstrated by a comparison of German statistics, according to which, during those two years, 500 Polish companies had purchased 7 million liters in terms of 100-proof alcohol, whereas our statistics speak of 2.5 million liters.

But another conclusion is important to Polmos's situation. According to the NIK Analysis Team, during the first half of 1990, even with allowance for losses due to smuggling, the State Treasury's receipts from duties on alcohol imports were greater than from taxes on domestically produced alcohol. The free market has caused the

Polish alcohol industry to feel threatened. And, as for where to look for succor, that is hardly known.

The Decisionmakers

The once simple system for monitoring the production and sales of alcoholic beverages, colloquially termed "Monopol," has now been replaced by a chain of decisionmakers at various ministries.

The licensing of production, the problem of contamination, and the determination of natural wastage are handled by the Ministry of Agriculture and Food Industry, and the import quota by the Ministry for Foreign Cooperation; prices, the monitoring of permitted trade shortages, and taxes are determined by the Ministry of Finance; and permits for the retail sales of alcoholic beverages are granted by the local governments. This diffusion of powers complicates the coordination of controls, and the reaching of agreements among various ministries is hardly one of the simplest and speediest procedures, which results in relatively ineffective responses to market fluctuations. This accounts for the demands to restore the monopoly.

The need to reactivate it is argued by pointing to the expediency of strengthening the structure of budgetary receipts (in the years 1937-38, the alcohol monopoly accounted for 40 percent of the receipts) and protecting the market against illegal sales of revenue-yielding merchandise as well as introducing more efficient quality control.

The Sejm draft law on the alcohol monopoly provides for establishing a Treasury company named "Polmos Holding, Inc." That company would exercise monopoly powers on behalf of the State Treasury. The interests of the state would be represented by the minister of finance in his capacity as the parent agency of the company, and he would have the right to appoint the board of governors and the supervising council and its chairman. The holding company would direct the alcohol industry's enterprises that have been transformed under the Law of 13 July 1990.

This solution is opposed by the employees of these enterprises. On their behalf, NSZZ Solidarity has criticized the concept of the holding company as leading merely to capital-oriented rather than organizational changes that induce the privatization of the enterprises but, at the same time, place them under the oversight of the minister of finance, which may cause irregularities in their management.

The draft law presented by NSZZ Solidarity's National Section on the Alcohol and Yeast Industry, and prepared on the basis of an unofficial interministerial government study, proposes establishing an agency to be called the State Alcohol Monopoly, to be subject to the minister of finance, and to have legal entity status but not to engage in business activities. The agency would be managed by a director to be appointed and recalled by the Ministry of Finance. The director's advisory and opinionmaking

body would be a council consisting of 75 percent of members employed in the alcohol industry's administrative sections. The financial management of the State Alcohol Monopoly would follow the rules governing state budget units. Such a regulation would preclude the need to privatize the enterprises of Polmos and isolate the coordination and control functions of the State Alcohol Monopoly from the profit-making operations of the alcohol plants.

The idea of introducing the monopoly and its nature will be decided upon by the Sejm.

Program for Iron, Steel Industry Outlined

93EP0027D Warsaw RZECZPOSPOLITA in Polish
19-20 Sep 92 p 1

[Article by (A.W.): "The Polish Iron and Steel Industry: More Efficient, Competitive"]

[Text] The Japanese, the Dutch, and Americans are awaiting the finale of the contract between the Warsaw Steel Plant and Lucchini, an Italian company, and only then, when the effects prove positive, can the Polish iron and steel industry count on a substantial injection of foreign capital, as Deputy Minister of Industry Stanislaw Padykula, the co-author of a program for restructuring the Polish iron and steel industry, declared at a press conference.

The restructuring, whose cost is estimated at about \$4.5 billion, will be funded with loans from the World Bank, the EC countries, and the European Bank for Reconstruction and Development, as well as with the Warsaw plant's own capital. For the earnings to reach a level at which capital can be accumulated, Polish iron and steel plants must be restructured. The restructuring project accepted by the Economic Committee of the Council of Ministers presupposes chiefly reducing the productive capacity of and employment at the Polish iron and steel industry.

The maintenance so far of a potential for producing more than 15 million metric tons of steel annually is economically unwarranted. This year 26 Polish steel plants are producing altogether less than 9 million metric tons. By the year 2002 productive capacity should optimally reach at most 11.7 million metric tons and minimally 9.8 million. The possibility of increasing steel output in the event that new markets are opened will exist. The industry is to become more efficient—at present it takes 22 hours to produce 1 metric ton of steel compared with about 6 hours in the EC countries and, in the case of so-called miniplants, 1.5-2 hours.

The steelplants must also modernize steel manufacturing technologies so as to increase the proportion of refined and high-grade steels in total steel output to 15-20 percent. This is to be assisted by the shutdown of all open-hearth furnaces (which at present account for 25 percent of aggregate output) and investments in continuous steel casting lines, which are currently being made

at the Katowice, Sendzimir, and Stalowa Wola steel plants. It is worth noting that more than 90 percent of the output of the world steel and iron industry is produced by COS [expansion unknown] technology, whereas in our country this indicator is about 7 percent. The new technologies also are to make it possible to increase the share of the output of flat products to more than 50 percent from 30 percent.

Six steel plants (Batory, Bobrek, Buczka, Bankowa, the old Ostrowiec steelworks facility, Szczecin, and partially also Kosciuszko) will be totally shut down. Molten steel will be produced at only 10 steel plants, compared with 19 at present, and, upon excluding the raw materials department of the Sendzimir Steel Plant, at nine. The Sendzimir and Katowice steel plants are to be merged into a single holding company, with the production of pig iron being eliminated in favor of the modernization and expansion of Poland's only sheet mill, whose products are used in, among other places, the automotive industry (car body sheets) and consumer appliances such as washing machines, refrigerators, utensils, etc.

The estimated cost of \$4.5 billion (if no allowance is made for restructuring, the modernization alone of the Polish iron and steel industry would require one-half that amount) includes investment outlays, repair and current operations of the iron and steel plants, and also financial restructuring and a program for social protection. About 80,000 employees will lose their jobs, out of the 124,000 employed at present. As the co-authors of this program at the Ministry of Industry and Trade emphasize, much of the employment in the iron and steel industry is actually indirect, in a large number of auxiliary departments. For example, at the Sendzimir Iron and Steel Plant the basic departments employ 12,000 and the auxiliary more than 11,000. At the Katowice Iron and Steel Plant these proportions are similar: 8,400 and 7,100 people. The protection program provides for, among other things, transferring many employees to other plants linked to the iron and steel industry, but the size of the funds needed for that purpose has not been precisely determined yet. The process of reduction in employment will be spread, like the entire restructuring, over 10 years.

Contenders for Polish Copper Outlined

93EP0027A Warsaw *RZECZPOSPOLITA* in Polish
23 Sep 92 p III

[Article by Danuta Walewska: "Bidding for Polish Copper: Asarco, WMC, or Some Other Company"]

[Text] Robert Muth, a vice president of Asarco, may view his most recent trip to Poland as quite unsuccessful. He arrived accompanied by experts on employee relations, in the belief that he would succeed in reaching KGHM [Copper Mining and Processing Conglomerate] employees. At Lubin, however, it was just then, last week, that the pot boiled over and the new protests also included the warning that the KGHM does not need

foreign capital. Almost at once after the departure of the American delegation the protests stopped, although this may be mere coincidence.

That was already the second official attempt of Asarco to establish contact with Lubin, and the third trip of Robert Muth to Poland. In June Robert Muth was a member of an official American investment commission led by John Whitehead.

The American mining concern offered—and as of now it still is not withdrawing its offer—a 3-year management contract to KGHM. Following that period, when the contract expires, Asarco would like to have 6 months to negotiate a minority share. "It is untrue," Robert Muth told *RZECZPOSPOLITA*, "that we had ever proposed to the KGHM or the Polish Government a billion dollars for the entire conglomerate. We believe that control over the copper should remain in Polish hands." Asarco also affirms that, throughout the duration of the management contract, it would maintain the current level of copper extraction, unless the Polish side decides otherwise. During the period of the contract Asarco intends to work out a long-range strategy providing the foundations for future American investments in the KGHM.

As known, KGHM, which does not want foreign capital, is also being courted by an Australian concern, Western Mining Corporation, which, during a visit of practically its entire supervising council to Warsaw in June, had offered \$500 million for a 41-percent share in the KGHM. (Soon afterward, in a bulletin on the nonferrous metals market, published in London, WMC explained that any talks held in Poland have concerned exclusively a very preliminary stage.) At the time that Australian offer was received in Lubin much more favorably by the employees—the American offer was viewed as insulting. "We do not need managers. As for Polish copper being a source of income, that is something we have long known," the conglomerate's press spokesperson told *RZECZPOSPOLITA* at the time. At the same time she admitted that the employees felt pained by, in particular, the sky-high salaries—"Allegedly \$20,000, which is a fortune compared to our wages"—which were to be paid to the American managers.

Robert Muth believes that there is nothing insulting about his company's offer. In his opinion, Asarco is thoroughly familiar with the KGHM and knows everything about its assets and technological needs. "It is no big deal to know that KGHM is profitable, especially considering the current high prices of copper on the world markets. But what happens once these prices fall? KGHM can be much more productive, and for that all it needs for now is modern management—it will need capital only later. The equipment installed at KGHM is for the most part 20 to 30 years old. It will have to be replaced. We are perfectly conversant with the productivity that can then be attained," claims Robert Muth.

Most often, however, in discussion of who would be the best partner of KGHM, should such a partnership be

concluded at all, it is stressed by Asarco's critics that that company would strive to maintain KGHM's status as principally a mining outfit rather than a processor, because it already has the facilities to process the copper elsewhere into more refined products. In contrast, Western Mining Corporation would emphasize the processing side as well, because KGHM would not even then be competitive with its own plants. It is worth noting that information about the specific plans of both potential investors is contained in documents submitted several months ago.

Both proposals are currently being considered by the Ministry of Ownership Transformations. The Australians expect an answer even before this fall is over. If they do not get it, they shall explore investing elsewhere. At Asarco they emphasize that patience matters most in negotiations. The KGHM in Lubin was not selected fortuitously. Asarco has already dispatched a mission to Russia and is aware that over there investing may be still more complicated. Previously it was interested in a zinc plant in Silesia, but it found that the large-scale copper mining operation in the center of Europe offers better prospects.

[Box, p III]

Asarco operates 15 mines and nine metallurgical plants in the United States, Peru, and Australia. It owns a 31.2-percent share in Mexico Desarrollo Industrial Minero—Medimsa; likewise 31.2 percent in MIM Holding Limited, Australia; and 52.3 percent in Southern Peru Copper Corporation.

[Box, p III]

Western Mining Corporation is one of Australia's largest companies. It was established in 1933 and most of its shares are Australian-held. WMC is the biggest producer of nickel and gold in Australia. It owns a 48.1-percent share in Alcoa of Australia, Ltd., the world's biggest aluminum producer. Abroad, it owns shares in gold mines in Canada, the United States, and Brazil; and in copper, lead, and zinc mines in Canada. Assets: \$3,928,000,000. Capital stock: \$2,874,000,000. Liquid capital: \$1,540,000,000. The last fiscal year (ending on 30 June 1992) was exceptionally difficult for WMC. Owing to restructuring and a number of investments, the company was barely able to eke out a little more than \$150 million in profits.

Kucan on Preelection Politics, His Candidacy*93BA0127B Ljubljana DELO in Slovene 24 Oct 92 p 21*

[Interview with Slovene President Milan Kucan by Janko Lorenci: "He Just Did Not Like the Jacket"]

[Text] *The president of the Presidency on the wiretapping scandal, writing memoirs, the danger of political polarization, election prospects, Drnovsek's government and wages, his own candidacy...*

[Lorenci] Mr. President, did you watch TV Focus with Jansa and Zlobec last night?

[Kucan] Unfortunately not. I was not home.

[Lorenci] Can I ask you what you were doing?

[Kucan] I was in my office, and I was talking with a European parliamentarian who was preparing a report on the situation in Slovenia.

[Lorenci] In any case, you are following the confrontation between Jansa and Zlobec as part of your official duties, so to speak. What feelings does it inspire in you?

[Kucan] Feelings actually should not be brought into these polemics. What I thought is also written in the Presidency's statement, namely, that that means of discussing state secrets does not benefit the prestige of a state that wants to promote itself in the world.

[Lorenci] The Presidency is in a difficult position. On one hand, the subject itself, composed of several different elements, from political to ethical, is sensitive by itself. On the other hand, a member of your Presidency is involved in the affair.

[Kucan] The subject is a sensitive one, but it should be divided into human and political levels. On the human level, it is all understandable, but on the political level things are much more serious. Such things should not be discussed through public polemics, without legal arguments. It is necessary to think of the interests of the state, which of course does not mean that illegal conduct can be stuffed into them. In my opinion the whole affair was given a completely unnecessary scope; it could have been put on the agenda correctly, without acquiring the dimensions of a public scandal.

[Lorenci] Jansa said on TV that he sharpened and expanded his polemics only after the Presidency condemned his book and sided with Zlobec. He says that the present polemics would not even have happened if the Presidency had not interfered unnecessarily.

[Kucan] I do not know how it was said. It very simply seems to me to be an attempt to solve a problem cooked up in one kitchen by bringing in yet another kitchen. The Presidency did not condemn anything. It said that the statements about the 2 July meeting described in that book were incorrect.

[Lorenci] At that critical time, did you already know about Zlobec's controversial communication?

[Kucan] The minister of internal affairs warned me about it. It seemed natural to me that he warned me, as the head of the Presidency. Then I warned Ciril Zlobec, believing that in his conversations he simply had not sufficiently taken into account the circumstances that Slovenia was in. Since we have known each other for a long time and he is a serious person, I thought that this friendly warning was enough, and subsequently it did not happen anymore.

[Lorenci] Would you agree with the rather widespread opinion that wiretapping under those circumstances was normal, and that the abnormal thing is that Jansa later essentially engaged in public manipulation of facts that he should not have used?

[Kucan] Well, as I said, I call this responsibility to the interests of the state, and people who have had the fate of the state placed in their hands by virtue of their position have to take this into account first of all.

[Lorenci] It will probably not be possible to hush the affair up any longer.

[Kucan] Nobody is interested in having it hushed up. Questions have been raised, and it will be necessary to answer them, with all the consequences. I am only talking about the fact that the democratic channels have been opened that democratic societies have in order to settle controversial and problematic things, without risking the state's reputation in doing so.

[Lorenci] What will be the outcome of the affair, in your opinion?

[Kucan] I do not know. In many respects elections are shaped by the responsiveness of political life. Soon Dr. Rupel's book will also appear, and the question is where political attention will turn then. It is essential to answer the question of whether things proceeded legally, and whether the means of using the confidential information was in accordance with the agreed-upon and prescribed regime.

[Lorenci] Would it seem sensible to you to have an active policy of banning the writing of memoirs?

[Kucan] A ban seems senseless to me, since in the end these memoirs are mainly written so that the writer can use them to redefine himself, and quietly correct his role in history, and certainly as it seems best to him at that time. In my opinion, we should promote a sort of ethical or moral standard that documents and things that apply to others would not be used without their knowledge and consent. And, in the second place, that the public should understand memoirs to be a subjective recording of history, and not as the pure truth.

[Lorenci] In a way, such fresh memoirs may introduce real paranoia into political life.

[Kucan] Certainly, since they are not memoirs, but current politics.

[Lorenci] What is the actual motive for writing on the part of these memoir writers? A penchant for writing? Personal promotion—"we were present at historical events"? Bad political intentions—discrediting others? A desire for credit? Or something else?

[Kucan] Probably every author of memoirs has his own specific motives. At any rate, I think that writing memoirs at such a short distance in time is not writing memoirs.

[Lorenci] Scandals are already coming one after another. Could this mean, not just ironically, that we are already a mature democracy? What I mean is that scandals do not just have bad consequences; as a rule, they are initiated by the opposition and the media, and they thus perform their role of oversight and social hygiene.

[Kucan] I agree with this, but this by itself cannot be a certificate of democratic maturity. These correctives probably indicate that we do not have enough oversight mechanisms in institutional democracy.

Of course, both are integral parts of democracy. It is therefore necessary to open up institutional control and control mechanisms more, so that it would not appear as if the scandal method of opening up problems were the only means of social and political hygiene.

[Lorenci] Were you already afraid that the elections would not be held?

[Kucan] No, because it was more or less clear to me that none of the parties would be prepared to accept responsibility for not having elections.

[Lorenci] It seems that our parties, whatever they are like, nevertheless agree on big and necessary things at the last minute.

[Kucan] In the last two years we could speak of that. Our political life, however, has not yet been finally structured, namely because our social life has not been socially formulated either. The material basis for the true social restructuring of society will only arise with privatization and denationalization. Only when those simultaneously occurring processes subside will it be possible to speak of a really formulated Slovene political scene and a more settled relationship among the parties. I hope that in doing so we will avoid the weaknesses of exaggerated factionalism (Italy), although I am aware that nothing can be skipped over in social development and political maturation.

[Lorenci] The Slovene political scene has nevertheless clearly crystallized already, so that easily recognizable classic political blocs are emerging, the left and right halves, and an extensive center. What do you think?

[Kucan] I would like to confirm that for you, but it seems to me now that a bigger problem is that a polarization is

occurring, a bipolar political life, and not the model of a right, left, and strong center, which would be very desirable for the stability of society. We now have both a secular and a nonsecular bloc, and the confrontation between them obscures this kind of structure. The latter, however, as we have said, is linked primarily to the process of social restructuring. Until it gets under way intensively, we will be dealing with rather irrational and unfair confrontations.

[Lorenci] The fear of a division into liberal and clerical, or secular and nonsecular blocs, seems somewhat exaggerated. Several signs indicate that we will perhaps avoid that danger. Several large parties have gathered in the center, which will control a large part of the electorate, and which are now indicating or at least announcing considerable pragmatism, and are prepared for any kind of mutual coalition alliances. Another such sign might be the electorate, and the high percentage (50 percent) of still undecided voters. This probably indicates that these voters are wavering between the different parties in the center, and are not consenting to a sharp differentiation between a secular and nonsecular bloc. Otherwise they would have already decided. In short, great pessimism with respect to this is probably not necessary.

[Kucan] This division, if it occurred, would be fatal. Everyone is aware of this, however, and the responsibility that will have to be assumed if this division is intensified or even forced is actually the strongest safeguard to make sure that it does not happen. In any case, this division is much more noticeable at the level of party leaderships than in the electorate, among the people.

[Lorenci] Thank God. That is much better than the other way around.

[Kucan] Of course, it indicates internal democracy in the parties, the influence of the mood of the party's membership upon the party's leaders. These leaderships, however, do not have any base within the electorate for possibly forcing a division, and this may be the basis for your optimism. I also think that these elections will probably be the last ones in which they will try to win over the electorate through such confrontations. As soon as we turn to the problems of the vision of our future, these divisions will become marginal, and the parties that try to transfer them to the political scene will condemn themselves to failure.

[Lorenci] This divisive mentality and nostalgia for the past can be kept alive, especially in the present developmental motionlessness, the running in place.

[Kucan] I agree. It is no longer running in place, however, but falling behind more and more quickly. Recently we could compare ourselves to some important European states, including our immediate neighbors, but today we are already lagging behind them. There are some objective reasons for this, and there are also some that lie in ourselves; we must acknowledge this. To me, the key reason is the lack of vision, the absence of a clear

idea of ourselves and our role at the turn of the century. This vision cannot be far from what is realistically possible, but it must be somewhat higher than what is realistically possible, so that it can mobilize all our real potential. The slogan "Slovenia, a success story" can be a realistic slogan if we make it realistic. Otherwise it will be trumpeting in vain.

[Lorenci] In this respect as well the elections may play an important, liberating role, since if things go more or less all right, the elections will put an end to the present political blockade that has been characteristic not only of Peterle's time but Drnovsek's as well. Let us look at this. The elections can bring a government that will have a solid majority in parliament. There will not be a big polarization into secular and nonsecular blocs, if we are a bit optimistic. Consequently, possibilities will be created for a consensus on the major social issues, and there will also be less of a burden from the past. Parliament will be more predictable, since the parties will be internally more homogeneous, and their deputies will have more party discipline. The political scene will be less fragmented. In short, all of these are possibilities that will not necessarily happen, but at any rate can. All of this would get rid of the political blockade that has now a priori prevented the formation of an realistic vision of development. The elections will thus really be fatefully important, and it is high time for them.

[Kucan] It really is high time for the elections, since the blockade is very bad. The consequence of the failure to pass the privatization law and the law on financial rehabilitation are catastrophic. It seems surprising to me that the government does not present these catastrophic consequences to the Assembly and also report them to the public, which would then have to put pressure upon the deputies and parties at least to bury the party hatchets. The assumptions that you talked about are desirable and feasible, but only if it is clear to people what they are deciding on in these elections. The party programs now known are not essentially different, and are therefore obscure. The blockade is also associated with many resentments, old and new. The blockade in parliament also remains because the balance of power in the Assembly is too close for the replacement of the top party or the top person to be able to have any substantial effect upon it.

What will decide is thus the concept, the vision. This vision has to be as clear and specific as possible, and people have to perceive in it a promise of a better life, and especially social security and job security.

[Lorenci] I would like to ask you for an undiplomatic answer to an undiplomatic question. Which government seems better to you: Peterle's, or Drnovsek's?

[Kucan] The next one after the elections will seem best to me.

[Lorenci] A diplomatic answer! Does it seem to you that Drnovsek's government is already engaging in campaign tactics, and is already cooking campaign goulashes?

[Kucan] That is primarily a question for Prime Minister Drnovsek. With the way in which that government arose, it is difficult to maintain a balance in it, especially since the government coalition has not reached an agreement on participating jointly in the elections. Such a minimal agreement, which would maintain some basic internal homogeneity and stability in the government, would be beneficial to it.

[Lorenci] The government is doing badly in one of its key tests. This has to do with wages. According to the prevailing expert opinion, they are too high, and the economy simply will not be able to endure them. The government, however, is waiting and not doing anything, probably also because of election considerations. In a way the Yugoslav story is thus being repeated, in which every radical economic cure always also failed because of the problem of wages and maintaining social peace. Then Belgrade was to blame for it, however. Belgrade is now on another planet, and this government has the responsibility.

[Kucan] Exclusively this government. Buying social peace is certainly a bad policy. The question, however, is whether that is what is going on. To me, the problem is not so much in the imbalance among wages, productivity, and real earnings, but rather primarily in the fact that there is no vision, no concept of the generation of the Slovene economy. Since that does not exist, since people do not see that a period of development and growth and the social stability associated with it is at least potentially opening up before them, of course they care that much more about wages alone. The social pact, collective contracts, and even unity among trade unions have become questionable. That concerns me the most. These are issues that are vital for the future of Slovenia. In short, if there are no clear concepts here, only on the basis of which will some sort of social agreement be possible, and then a better life in the long run, then it is not just stagnation, but rather regression and an abandonment of society to conflict situations that will be resolved spontaneously.

[Lorenci] A vision would certainly be necessary, but we can consider as a mitigating circumstance for Drnovsek's government the fact that the problems are objectively big ones, and countless, and that it has had very little time for establishing a vision. The issue of wages is here, however, and it is extremely urgent. If the government does not deal with it because of campaign tactics, it is doing Slovenia and itself a poor service. Drnovsek has always promised that he will act in the objective interests of Slovenia, and that he will not engage in electoral tactics. Now he can prove this and even turn a potential weak point—lowering wages, which of course is not a popular move—into a virtue, because he would thus obviously demonstrate that he is a serious politician and prime minister who does not speak frivolously.

[Kucan] You said previously that I answered you diplomatically when I said that the third, post-election government would be a good one. Of course, in saying that

I did not mean to say anything very critical of either Peterle's government or Drnovsek's. I was thinking of the fact that they worked with very little maneuvering room, especially Drnovsek's government. As far as the issue of wages is concerned, I agree that a restrictive decision could even score positive points for the government. Complete uniformity within the government is needed for such a decision, however. Now, before the elections, and since the government coalition has not reached a consensus that it would like to continue to function after the elections as well, such a decision would probably be too sensitive to adopt, although I believe that there are enough people in the government who can think in economic terms, especially Deputy Prime Minister Rigelnik and Minister Gaspari, who would certainly not hesitate to adopt that decision.

[Lorenci] Would you venture to make any sort of prediction of the outcome of the elections?

[Kucan] No, it is too early. Half of the Slovene electorate is still undecided.

[Lorenci] The SDP [Party of Democratic Reform], your former party, is so far behaving surprisingly well.

[Kucan] Surprisingly well for those who want to discredit it with the past, and moreover not our past, but the general European and Bolshevik past. Foreign analysts also acknowledge that the Slovene LC was different in many respects. At this time, however, it does not seem advisable to me to argue about this; time will judge this. For others, who see this party as a normal element of Slovenia's political life, it cannot be a surprise, especially with the present social and economic situation. In general, it is a problem to which the parties pay too little attention—and the radicalization over these issues is here! The only question is whether it will proceed out of control, or planned and with the ambition of channeling people's dissatisfaction into creativity.

[Lorenci] Are you a member of the SDP?

[Kucan] I would have been surprised if you had not asked me that, since everyone asks me that, and even though I answer them, the matter continues to be of interest. I was in the party when it was necessary to change it, since that was a condition for general democratization. I did not leave it, as many others did, and I am not thinking of changing myself. My present function, which, conceived very ambitiously, has to be performed in the interests of all citizens of this state, and conceived realistically, at least a majority of the citizens, required that I create a position in the party that did not commit me to its operational policy. As long as the party can tolerate that position of mine, I do not see any problem.

[Lorenci] The SDP remains excommunicated to some extent, and some people still see it as a pestilential party. Isn't it true that you, by somehow freezing your status in

it and acting as an independent candidate and not the party's, are also helping to keep it in that marginalized, excommunicated position?

[Kucan] It is obviously a consequence of the historical context, in which the idea of socialism has been discredited in Europe and the world. There is no help for this. The question, of course, is whether we judge the party by what this movement was in the past on a European scale, or by what the party was and what it is today. It is very manipulative to reach as far and wide away from Slovenia as possible; then other arguments associated with the present and with concepts of the future are unnecessary. This is a very difficult position for the party, but very convenient for its opponents. It seems to me to be just as dangerous, however, as if someone used the same way of assessing and characterizing the Christian Democrats as a clerical party and in doing so surfaced arguments from the times of liberal-clerical divisions before the war or even from wartime. It is good to know what our past and history were like. One should learn from them. Nevertheless, transferring something from history to the present in order to eliminate the weakness of the present arguments in a political dialogue, seems to me to be extremely harmful to the future of Slovene democracy.

[Lorenci] It is generally believed that you are already the winner of the coming presidential elections.

[Kucan] Not in my judgment.

[Lorenci] Why not? According to recent polls by our newspaper, you are a light-year ahead of the second-ranked Kacin.

[Kucan] Of course, polls reflect a certain mood, but the experience of the last elections tells me that people essentially only decide at the voting site. The more different the representatives of concepts are, and the more apparent the alternatives are, the truer this is. When the differences are smaller, the choice is more difficult for people; and if you look at what the expected list of presidential candidates is like and what the major campaign topics will be, we see that people will not decide easily, unless they decide on the basis of preferences. Of course, I am not including in this only preferences for outward appearance, but also preferences for what we have done in the past.

[Lorenci] The fact that you are an independent candidate is probably an advantage, especially at a time when people are fed up with politics, at least to a certain extent.

[Kucan] Well, this is slightly contrary to the question in which you listed several elements for postelection optimism. Let me go back to the polls. About 50 percent of the people are undecided about the party elections, but only somewhat more than 10 percent are undecided about the presidential elections. Consequently, at this time people are more certain about electing the state president than about deciding on parties. We could

possibly conclude from this that people are dissatisfied with the means of party life here. My nonparty candidacy, however, is closely connected to my belief that in our still not completely normal situation this function can only be performed if one eliminates as much as possible any possible criticism that the president is acting in the interests of this or that party. You can be easily criticized, and extremely cheap attempts can be made to discredit any good intention and any good action.

[Lorenci] The danger of criticisms about party bias is probably really alive, and forces restraint. Exaggerated caution and exaggerated consideration of that danger, however, can force a person into complete political inactivity, into not speaking out about unresolved issues, and thus into irrelevance.

[Kucan] Well, I have not been criticized for not committing myself. Previously I received criticisms that I was too involved and committed. Perhaps this is generally one of the characteristics of current Slovene politics: for reasons of prestige the question arises of who should do or not do something, instead of asking who is capable of doing something. This seems to me to be harmful and undemocratic. It seems to me that another permanent problem of Slovene politics is poor coordination and poor cooperation, much worse than the cooperation demanded in recent years by the seriousness and nature of the problems.

[Lorenci] The "broader masses" perhaps have the impression that sometimes you do not speak out, even when you should. Perhaps this has to do with the fact that people simply do not recognize when you speak out, namely because of certain characteristics of yours. On one hand, you think and speak in a relatively complex way, and on the other hand, you very rarely express yourself radically and thus also very clearly. Perhaps this is the reason for the impression that you do not speak out.

[Kucan] Perhaps you are right. We have obviously lived through a very complicated and sensitive political period and it often did not seem necessary to me to introduce that element of political, prestige, and also personal disputes onto the public scene, which was already troubled enough. In my political life I have learned to put the interests of the community, the interests of the people, or, if you will, the interests of the state, ahead of certain things; not because of opportunism, but rather because it does not seem beneficial to me to settle things on the public scene that a person does not know how to or does not want to settle in the proper place for it. Of course, this is only possible among correct people. My experiences with correctness in Slovene politics, however, are not the best.

[Lorenci] Is Studio Marketing heading your election campaign?

[Kucan] It is not heading it, but it is helping me professionally on certain matters. In any case, it will not be any large election campaign.

[Lorenci] Who composed the basic theme for it? You?

[Kucan] About a month and a half ago, Dr. Kmecl and I talked about it. Since we do not know much about these matters, we wanted to get some professional assistance. Of course, it is not any sort of complete innovation in Slovene politics; recently everything that I have done has been seen by the Slovene public, and that public has a quite clear and also polarized opinion of it. I no longer have anything to hide or expose about my political positions, myself, and my political character.

[Lorenci] What is the basic message of the campaign?

[Kucan] That it is worthwhile to cooperate in further building and developing Slovene independence. The business is not finished; that is probably clear to everyone.

[Lorenci] Among other things, you are appearing with the slogan "Slovenia needs a good president." Your photograph can be seen next to it. You are wearing a shirt and tie. Why aren't you wearing a jacket?

[Kucan] The man who was taking care of the appearance of this advertisement simply did not like the photograph with the jacket.

[Lorenci] He probably decided on the basis of some deeper "philosophy." Just in a shirt—that means a certain domesticity, closeness; the tie, in turn, provides a certain distance.

[Kucan] Mr. Lorenci, if I ever run again I promise that I will take you as an adviser.

[Lorenci] Who is financing your campaign?

[Kucan] It will be financed, or already has been, from two sources—from the one that the state will finance as part of general financial assistance for the elections, and from people's contributions. The transfer account has been published, and it will not be a big, expensive campaign; the times are not right for it and it would be hard to justify. It also seems to me that people do not exactly see me as a wasteful person, and that would be completely contrary to what is in any case my view of life and politics. We opened the transfer account because people wrote and telephoned that they wanted to support this electoral preparation; I would rather use that expression than the expression "election campaign."

[Lorenci] You are not leaving things to chance, but are instead carefully planning them, and you have probably talked about how much money will be needed for the campaign?

[Kucan] We did not talk much about it up until the time that Minister Kacin said on the radio that the Democratic Party had collected about 500,000 marks, and that

it was only a third of what was needed. I was horrified by that figure. If ten parties start in the electoral race, each one with 1.5 million marks, that is already an amount that is almost at the limit of what is rational. It is true, however, that I do not have a real idea of what such a party campaign requires. In any case, I think that an election campaign cannot correct a lack of results in political life.

[Lorenci] It can be decisive, if equivalent parties and politicians clash.

[Kucan] Certainly, at least with the voters who are more attracted by outward appearance than by substance. So much for my planned activity...

[Lorenci] I did not mean anything bad by that.

[Kucan] I also do not think that you meant anything bad. And I also do not think that it is bad. In short, I have prepared very deliberately and thoroughly for my political obligations, all the way from things that were once associated with Belgrade, to the Brioni talks and the Brussels conference. I did not engage in any important matter without thorough preparation.

[Lorenci] Which does not mean that you are dealing with this campaign of yours in a completely spontaneous and disorganized manner?

[Kucan] No. Above all, it is built on experiences from the first parliamentary elections. These will be different in many respects, they will be accompanied by a freer atmosphere, they will not be as confrontational, and they will have more integrating elements.

[Lorenci] Have you been following the three-way struggle of the American presidential candidates?

[Kucan] I did. There is a fundamental difference, which then determines the campaign, its nature, and its intensity. An American president is authority, power, and position that is not only associated with the citizens of the United States, but also, so to speak, with the fate of the world. This is certainly associated with a different slant, different expectations, and also opposition, than the position of Slovene president, which, to tell the truth, lacks any important formal powers, although it is important morally and for some time will also be politically prestigious, as demonstrated by the confrontations over this position.

[Lorenci] The list of your supporters published in the press is interesting...

[Kucan] There are somewhat more than 300 names.

[Lorenci] Those are probably not all the signatories. Who made the selection, and on what basis? You?

[Kucan] In my talks with Dr. Kmecl—since it is obviously a citizens' initiative—the idea arose that it would be a list of ten well-known Slovenes. Then it turned out that ten would not work, and the deliberation stopped at

100. And when talks with those 100 potential initiators of the campaign started, the business was naturally found out. Then it took its normal human course.

[Lorenci] Everyone wanted to be involved!

[Kucan] Any support was especially precious to me, and encouraged me. My decision just was not that simple, and at first I also did not have the right motives. Now it is different, of course.

[Lorenci] The list includes entire troops of famous professors, and there is the athletic, cultural, scientific elite, etc. Among all those resounding names—as if as an embellishment, and that is somehow funny—several workers and employees are suspended.

[Kucan] You can believe me that I could have gotten plenty of workers and farmers who would have signed the candidacy, without any difficulty. I was aware of the danger of manipulation and the manipulative significance of that determination. Five thousand or more signers of the formal candidacy will not be known; they are anonymous. Somewhat more than 300 of them appear with their full names, and they had to know what the consequences could be. This is politics, of course. This is actually a break with the traditional presentation of presidential candidacies by party membership, and people have to know what possible consequences they assume by doing this. If it were a question of mass support during this phase, there would not have been any problem in getting more names, including well-known farmers and workers from all the Slovene regions. I have good acquaintances among them, good friends, but that simply was not the purpose.

[Lorenci] Was Dr. Ciril Ribicic among the signers?

[Kucan] Our position was that no president or leading member of a party would be among the signers.

[Lorenci] In a way, the office of president can no longer satisfy you. On one hand, the historical times of the creation of the state are past, and on the other, the position will mostly be just a protocolary one.

[Kucan] Political experience—and I venture to claim that I have it—is very important in this position, because that experience is available to all those who want it. That is why I see in this position probably an older, experienced person who no longer has direct projects and political ambitions. Elsewhere in the world as well, the ones in these positions are mostly people who have been elected primarily because of their past work, if I may use an old expression, because of their moral prestige, people whose fellow citizens acknowledge that they somehow personify the people. In Slovenia as well, it is what we used to call the father of the people, and it is a very big word, very binding, but on the other hand it is also very vulnerable and handy for manipulation. We have yet to get used to democratic institutions and we will also have to get used to the fact that the one holding this or that political post is in that position by the will of the

majority, even if someone does not like it, and that in a democracy it is the majority that decides.

[Lorenci] You said previously that at first you did not have the right motive for your candidacy. Did you get sick of politics?

[Kucan] Certain sordid things in politics, of course. You must believe that ever since 1986, when I returned from Belgrade, I have been living a public political life, in which I have to keep proving my credibility and the honesty of my positions to both sides. It is hard work. I thought that with the changes in Slovenia this would change as well, and that there would be more confidence in what we were doing, and in what I was doing. Well, things are the way they are, and I thus became used to living politically and reacting to it, when it seems necessary to me, of course. I am only not used to certain things that are no longer in the sphere of what is dignified. Nevertheless, that is also now obviously an integral part of politics, and it has to be taken into account.

Roundtable on Coexistence in North Macedonia

93BA0078A Skopje NOVA MAKEDONIJA in Macedonian
1 Oct 92 p 5

[Article by B. Burnazovski: "Parties Earmarking National Divisions"]

[Text] *Albanian parties are exacerbating the political tensions by alleging inequality, pro-Serbian parties by alleging threats; pro-Yugoslav parties do not accept that Yugoslavia is "dead," while the only thing the citizens want is a peaceful life.*

Kumanovo, September—During these fall days, which still feel like summer, the people of Kumanovo are living no better and no worse than the people in other Macedonian cities. Everyone is preoccupied with questions of gasoline, heating, and salaries. From time to time, a political party that so far has been identified as national (Macedonian, Albanian, Serb, or Yugoslav) would raise an issue or a problem to draw the attention of ordinary citizens to make them think politically and look through a political lens at even most ordinary matters.

The Albanian parties are steadily exacerbating the political tensions among the citizens with a variety of demands for equal treatment of Albanian citizens and for greater rights, and alleging unfairness in interethnic relations. The pro-Serb parties and associations are ever more aggressively promoting the idea of the threat to Serbs, the absence of rights for Serbs and their "undetermined status in Macedonia," and so forth. In contrast, the pro-Yugoslav parties are also steadily directing the attention of the citizens to the coexistence among all ethnic groups not only in Kumanovo and Macedonia but also in the former Yugoslav area. They believe that the most fertile grounds for such problems are found in Kumanovo, where, as always, all citizens, regardless of

ethnic, religious, or now political affiliation, have gotten along and are getting along well, paying little attention to who is what.

United Existence Without Options

All of this is probably motivated by the fact that a roundtable was recently held on coexistence without options, sponsored by the Democratic Party of Serbs in Macedonia, the League of Communists of Macedonia-Movement for Yugoslavia [SKM-DJ], and the Party of Yugoslavs in Macedonia, attended by representatives of all parties and associations in the city. This debate took place without the participation of the other parties, particularly of the other two ethnic blocs, although they were allegedly properly and personally invited to attend, an absence the organizers noted regretfully.

In that debate, at which about 20 of some 100 participants spoke, the idea prevailed that, in Kumanovo and throughout Macedonia, settled by an ethnically heterogeneous population, there is no alternative to coexistence. As was mentioned, the ethnic groups inhabiting this area are interlinked spiritually, historically, and territorially, and any exclusivity or isolation on their part is decadent and leads to poverty. Hence, all citizens in this area must encourage awareness of unity and rebuild the destroyed bridges that tie them more closely to each another and accept and tolerate ethnic features because a united way of life is the only possibility for future stable socioeconomic progress by the entire local citizenry.

The greatest threat to a peaceful united and tolerant life for all supporters of these parties with a pro-Yugoslav orientation is nationalism, wherever it may come from, because this is what divides the people. That is why, as was said, all political parties and all citizens must struggle against their own nationalism and their existing or eventual appearance, and problems that endanger unity must be resolved democratically, with dialogue and tolerance. Therefore, the supporters of the SKM-DJ must strengthen their belief that, in Kumanovo, as it is now, there should be neither Macedonian, Albanian, nor Serbian nationalism.

Dangerous Nationalism

For example, Resat Ljati, the chairman of the PDP [Party for Democratic Prosperity] branch, says that they were not invited and, even if they had been, they would not have participated in the debate because "we have finished with Yugoslavia, and our party is functioning in Macedonia, and it is here that we intend to resolve our problems." The leaderships of MAAK [Movement for All-Macedonian Action] and the League for Democracy believe that, because they were not consulted in advance about the preparations leading to the roundtable, they did not consider their attendance at the meeting necessary. Similarly, no representative of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] was present, although, as the organizers reported,

the matter of participation had been discussed with Tomislav Stojanovski, that party's representative, concerning his participation.

Be that as it may, few people participated in this latest public study of the views of the people of Kumanovo, usually members of the parties' leaderships, so that we do not have an overall picture of the true feelings of the citizens, which are most frequently based on daily political events and developments. Hence, the alleged threat to Macedonianism, Albanianism, and Serbianism, and the alleged cooling of interethnic relations, although no one has tried to sound out the thinking and moods of the citizens. Meanwhile, they, the ordinary citizens, Macedonians, Albanians, and Serbs, are less concerned with this than with the fanning of nationalistic passions, encouraged by the leaderships of some political parties and not by the citizens themselves.

Cash Flow Shortages Topic of Study

93BA0134C Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 19 Oct 92 pp 26-28

[Article by Vladimir Grlickov: "The Channels Through Which Cash Is Leaking"]

[Text] After confidence solidified that control had been established over the black foreign exchange market and over dinar demand, backed up by evidence that the exchange rate for foreign exchange had stayed at the same level here for quite a long time, there was an unexpected turnabout. Dinar demand increased, the dealers showed with bundles of fresh bank notes an intensified interest in buying currencies, and the exchange rate for foreign exchange suddenly jumped up, approaching the limit of 450 dinars for 1 German mark: It is said in this connection that for a time you could not buy foreign exchange from the dealers at all, but only sell to them, which shows how much someone needed the currencies for which they were prepared to pay a higher exchange rate. But such trends were short-lived, because the dinar demand quickly died out, presumably because the need for currencies had been met, and the dinars issued had been spent.

The movement of cash dinars on black markets which we have described provides an occasion for the broader topic of what is actually happening to that cash. Here we are above all mindful of two facts: First, that it does not exist on the black markets, and second, it is notable that it is disappearing from the banks at the same time, even jeopardizing the payment of personal incomes and pensions. All of this is happening coincidentally with the news that there has been a relaxation in the monetary policy of the NBJ [National Bank of Yugoslavia] and at least a partial adaptation of its limits to the movements of inflation. The limits on primary issue (which should not be equated with cash) have been broadened, above all to the advantage of agriculture. Another question is that the primary issue is not automatically released into the giro accounts of the banks, but only after they

provide the necessary evidence (documentation) that the primary issue will go for prescribed purposes.

There is much speculation about whether the National Bank is even allowing enough cash to be printed for the banks to maintain normal liquidity. Restrictions in this segment of the money supply cannot be used in an attempt to restrict demand and adapt it to commodity stocks that actually exist nor for the purpose of changes in the business ownership structure of enterprises and governments. But today this does not seem to be the main reason for the shortage of cash in the banks, just as it is difficult to believe that primary issue for agriculture is being "diverted away from its stated purpose" onto the black foreign exchange markets.

The available figures show that in two months (from 30 June to 31 August) total cash has increased about four-fold. It is evident even from this broadest figure that there was even too much cash. This suggests that the shortage occurred temporarily because it has been redirected by invisible channels outside the banks or because there was too much of it in only some of the banks where it was used in the conduct of "large government transactions."

In the vaults of the Settlement Agency and post offices, there were 25 billion dinars in cash on 31 August, while approximately 95.5 billion dinars were in circulation, held by juridical and natural persons. That meant that balances in the giro accounts of natural and physical persons were covered at about 84 percent. Viewed from that angle, the cash problem does not seem alarming.

It was another figure that sounded the signal for alarm. On 31 August, cash in the vaults of the Settlement Agency covered only 19 percent of the balances of giro accounts of natural and physical persons, which was 114.8 billion dinars. It is not easy to answer the question of what happened with that immense amount of cash, that is, where did it disappear to?

In seeking an answer to that question, we arrived at the following findings of the Settlement Agency. There is a shortage of cash in the vaults of the agency. Its organizational units possess only 50 percent of the allowed vault maximum: On 22 September, they had 20.8 billion, on 25 September—20.8 billion, on 28 September—22.4 billion, and on 29 September—21.8 billion dinars. For all that, given the general shortage of cash in vaults, its uneven distribution has been noted: Organizational units in Serbia possess 54 percent of the vault maximum, in Vojvodina—20 percent, and only in Kosovo and Metohija is the cash held by organizational units of the Settlement Agency above the vault maximum, in fact between fivefold and sixfold the maximum.

In some organizational units of the agency (Pancevo, Senta), money in circulation has even been less than one-tenth of the maximum. When the size of the organizational unit is taken into account, a large shortage of cash has been felt in the Stari Grad branch in Belgrade: Every day it has had between 12.4 and 20.4 percent of

the vault maximum, which for it amounted to 5.6 billion dinars. There were also problems in the branch in Novi Sad, which possessed between 13.3 percent and 19 percent of its vault maximum, which is 3 billion dinars. There was a particular problem because of the shortage of money in the Palilula branch in Belgrade, because here the users are mainly withdrawing cash (post offices and others) and there are fewer of those who are depositing it (cash) on the basis of sales for the day (organizations in the trade sector and others): Even this branch did not have a quantity of money up to the fixed maximum, but at the most 50 percent.

All these figures indicate that the Settlement Agency of Serbia and its organizational units have been poorly supplied with cash by the Republic's national bank. The Republic's national bank is required under the Law on the NBJ and the Law on the SDK [Social Accounting Service] to supply organizational units of the agency with bank notes and coin; that is, the Republic's national bank is required to provide subsidies to the organizational units of the agency and to take over cash from them above the allowed vault maximum. At the same

time, the organizational units are the sole suppliers of money which they receive from the national bank, although they are not the only ones involved in settlement: The banks and the post offices handle settlement for certain transactions.

It is possible to conclude from these facts that the cash shortage in the Settlement Agency, that is, in its organizational units, was caused by "restrictions" of its direct supplier of cash. This is the Republic national bank, which in turn can pass the buck to the National Bank of Yugoslavia, that is, to its (semi-)institution which is called the Mint, or, in popular terms, the money print shop in Topcider. But it is important that there are open cracks in the system of agencies, the Republic's national bank, and the National Bank of Yugoslavia. First, it is possible for cash to bypass the agency, which is against regulations, and depart in a direct relation between the Republic national bank and one of the banks. And then it is possible, again against regulations, for there to be a direct relation with the Mint, which, in legal terms, does not stand in a position of "complete loyalty" to the National Bank of Yugoslavia (it is an organizational part of it, but it has the status of a juridical person).

Table 1. The Movement of Cash, in millions of dinars

	30 Jun 92	31 Jul 92	31 Aug 92
Cash in vaults of agency and post offices	4,812	27,351	25,013
Cash in circulation held by juridical and natural persons	30,596	86,287	95,938
Total cash	35,408	113,638	120,951
Balance of giro accounts of juridical and natural persons	60,937	108,520	114,852
Ratio of cash to balance of giro accounts, in percentage	50	80	84

Table 2. Ratio Between Cash and Giro Accounts, in millions of dinars

	30 Mar 92	30 Jun 92	31 Aug 92
Cash in vaults of agency	4,449	4,380	20,192
Balance of giro accounts of agency	16,468	60,937	114,852
Ratio, in percentage	27	7	19

In all of this, when cash is diverted against regulations, which causes a shortage in paying out personal incomes and pensions, the possibility should not be excluded of this being done in a tie-up between the national bank of the Republic, the Mint, and some of the banks. Nor can we even preclude as a hypothesis a scenario in which cash leaks out against regulations through a channel that runs through the Settlement Agency and by virtue of its being involved in various linkages, that is, in the system of giro accounts and a rigged presentation of balances in accounts, for example, after a particular account has been emptied and the cash has gone off to the black foreign exchange market.

There is yet another fact which should be borne in mind in analyzing the causes of the cash shortage. The Settlement Agency is required (under Article 10 of the Law on Financial Transactions) to provide the necessary amount

of cash for so-called "other participants" in settlements who have giro accounts with it. And those "others" are enterprises, banks, other financial organizations, stores, etc. The trouble is that in this case those others (including government bodies and agencies) have at their disposition a great loophole in the regulations, because there is an open breach through which cash can leak out at the wish of these juridical persons: The law did not assign them a vault maximum, but has left it to them to fix it themselves! That, of course, should not be conceived as an attempt to restrict them from withdrawing their own cash in order to make payments for the prescribed purposes; a particular problem is that the regulations allow juridical persons in exceptional cases to use the cash which comes in from daily sales. Otherwise, in accordance with regulations, the money from daily sales must be paid into the giro account on that day, the next day at the latest.

But all these allegations and "oversights" in the regulations should not be seen in any way as an alibi for the

Settlement Agency. After all, it is nevertheless clear from the regulations (Law on Financial Transactions) that in spite of this freedom in establishing the vault maximum for juridical persons (they usually neglect to make payments, but they indicate expenditures), they must pay their daily take into the giro account, and not let that cash leak out through "invisible" channels. Certainly, it should not be thought that all the anomalies have been removed when a regular (prescribed) payment of cash has been made into a giro account; it is certain that cash can also go from giro accounts into flows that are against regulations. In that context, we should investigate how much the agency has done to prevent the outflow of cash into the "shady business" of juridical persons.

The alleviating circumstance for it might be the fact that penalties for offenders have been too mild. These are fines in token amounts: from 300 dinars for juridical persons all the way to 10 dinars for the person responsible. It turns out that it pays the juridical person to have the financial inspectors come in order to obtain a confirmation that they are doing business properly.

The notice of the agency that it is unable to monitor enforcement of the regulations covering financial transactions is another matter. It says that it is unable to perform that function, because the number of entities it is supposed to control is so large (69,414 juridical persons in the economy and 6,139 juridical persons in noneconomic activities). One can only remark that it is not clear whether the agency's purpose in stating the striking figure on the number of juridical entities is to indicate that criminal activities with cash are widespread—or should this be taken as its subsequent (ex post facto) notice that it has been unable to perform one of the basic functions for which it exists?

[Box, p 26]

The Settlement Agency on the Causes of the Widespread Payment in Cash

The Agency for Settlement and Financial Supervision of Serbia considers the following to be among the main causes of the widespread payment in cash:

1. The slowdown of the economic activity of some juridical persons, which has resulted in illiquidity and the blocking of their giro accounts. These legal entities are resorting to payment of their most necessary needs in cash that originates in the daily collection (payment of personal incomes, payment of various service charges, etc.).
2. Intensified inflationary trends, which are increasing the need for an ever greater volume of money in circulation. If the total money supply keeps up with inflation, then that means that the issuing of cash is lagging behind.
3. The increasingly widespread phenomenon of the so-called "gray economy" in relations between individuals

and juridical persons, between juridical persons themselves, and especially involving privately owned enterprises. In this kind of business, all payments and collections are made in cash and do not go through giro accounts, and the motives are usually to conceal the actual transaction and the financial result of business operation in order to evade fiscal obligations.

4. The increasingly pronounced cases of unlawful purchasing of foreign currency by individuals to meet the needs of juridical persons and the banks, whereby a portion of the dinars in circulation are immobilized.

5. Shaken confidence in mutual settlement of obligations between participants in settlement, which has also been favored by the present way in which payments are made in the form of the acceptance order (notes and other instruments for securing payment are for the present not being used at all). This has resulted in violation of financial discipline, especially by insolvent juridical persons, who as of 31 August numbered 2,865 (bankruptcy proceedings had been instituted against 2,600 juridical persons). Instead of conducting money transactions through their giro account, these juridical persons conduct their business through the cashier, by making payments and collections in cash.

Measures Which the Agency Is Taking To Offset the Money Shortage

The agency is taking the following steps:

1. Aside from its legal powers, it is restricting the withdrawal of cash by juridical persons.
2. It is conducting external monitoring that the daily take is paid in promptly, especially by juridical persons and retail shops, which it is difficult to do completely because of the large number of accounts in the agency.
3. It is monitoring the withdrawal of sizable amounts of cash with respect to the purpose for which they are to be used.
4. It is monitoring the depositing of surpluses by post offices and surpluses which banks hold over and above the vault maximum.
5. It is requiring that the national banks in the Republic supply branches cash up to the level of the vault maximum.
6. Cash above the maximum in one organizational unit is being made available to those organizational units lacking cash.

Particular attention is called to enforcement of priorities when money is being used, and they come in this order: personal incomes, pensions, purchase of agricultural products, subsidies to banks, subsidies to post offices, and other.

Proposals of the Agency To Overcome the Difficulties

Until the causes that brought about the shortage of cash are eliminated, the National Bank of Yugoslavia needs to do the following:

1. Realistically assess the present level of the necessary quantity of cash in circulation and through an appropriate decision of the Board of Governors undertake the urgent resolution of this problem.

2. Work out more detailed criteria for establishing the level of the vault maximum by all participants in settlement and initiate amendment of federal regulations pertaining to the subject matter of the disposition of cash and its use in making payments.

3. By amending and supplementing the present regulations governing the business operation of juridical persons, drastically tighten the penalties for violating provisions that regulate the manner of collection, disposition, and payment in cash and do so not merely by increasing the level of the fine.

4. See that organizational units of the agency directly request and receive supply of the necessary quantity of cash from the National Bank of Yugoslavia.

5. See that the competent government agencies take all necessary steps to suppress all forms of the "gray economy," accompanied by involvement of the financial police in monitoring juridical persons.

Government Antirecession Measures Viewed

93BA0134B Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 19 Oct 92 pp 24-25

[Article by Biljana Todorovic and Davorka Zmijarevic:
"Hello, Misery"]

[Text] The autumn of 1992 is filled to overflowing with poverty, endurance, and fear. The statistical figures offered by the governments, the Economic Chambers, the trade unions, and others responsible for making calculations can be taken with reserve for several reasons. The principle to use last year's figures as a parameter in making calculations in our case relativizes the end result. Last year, also a war year, differed from 1990, a prewar year, in the decline of industrial production, exports and imports, and the standard of living and the rising inflation. The now-frequent devaluations and currency reforms of the dinar make analysis difficult, even though the calculation is done relative to the German mark. In addition, all the figures and results being presented to us these days, on a daily and weekly basis, are growing by geometric progression.

The Dark Figures of Reality

According to the figures presented in an analysis of the social welfare of workers by the Independent Yugoslav Trade Unions, 90 percent of the population are now close to the so-called "poverty line." About 40 percent are below the subsistence minimum. Since the end of last year, real earnings have been cut in half, and inflation has risen by 6,355 percent. Real worker wages this year (figures for the first six months) represent 47 percent of the same period of last year in real terms (figures

presented by the Federal Government). If the market basket is used, the average net personal income for December amounted to 27,361 dinars and was enough to meet basic needs for four or five days. To make it clearer, 16 percent of the products were omitted from the September market basket, and the determination was made that a four-member family could buy the following for the month: 3 kg of meat without bones, 2 kg with bones, 1.5 kg of viscera, and 2 kg of (low-grade) salami. That does not, of course, reflect all the gloom of the fight for survival. The figures on the time a worker with average earnings must work to buy certain products evoke despair. To buy a mediocre-quality couch he has to work three months and two days, for a washing machine (domestic manufacture)—five months and seven days, for a TV set (without antenna)—seven months and four days. Just the subscription for this TV or one already purchased requires five hours and 17 minutes. A refrigerator, also of domestic manufacture, takes three months and 15 days of work, and a freezer—five months and one day. But the calculation is no less serious if the average family already possesses all those appliances. A worker must work two hours and 15 minutes to buy a 60-sheet school notebook, one hour and 55 minutes for a tube of toothpaste, two hours and 15 minutes for face cream, and one hour and 33 minutes for a light bulb. Every day, if one wishes to be informed, 27 minutes of work must be devoted to a newspaper. All of this applies only if prices do not change. Otherwise, the race against prices is like one of Zeno's paradoxes.

Pensioners are in a still less favorable position. Some 1.1 million of them live on pensions ranging between 20 and 30 German marks. Pensions, even such minimal ones, depend on what the economy sets aside, and up to now, according to the estimates of the Independent Trade Unions, 800,000 workers are working in insolvent enterprises, and 200,000 of them are awaiting bankruptcy. All of them together, like it or not, are supporting 753,000 unemployed duly registered with employment bureaus. The number being supported is, of course, much greater when we realize that there are 4.85 million minors in the FRY [Federal Republic of Yugoslavia], and we should add about 500,000 refugees to that figure. These figures, according to the prediction of the Independent Trade Unions and the Federal Government, will become still gloomier toward the end of the year, when it is assumed that there will be only 500,000 people employed in Serbia. If the unemployed, laid-off, and others from Montenegro are included, the ratio between employed and unemployed will be 1:22. Winter is knocking loudly on the door, and the average earnings of someone employed in the economy are enough to buy 3 cubic meters of wood. No question of canning for the winter, at least not in any of the autumn months. Since the economic sanctions were introduced, and we have now entered the fifth month of the blockade, the main discussion (with the exception of the Federal Government) has been of the consequences, and there has been less discussion of the causes of the disastrous situation of the citizens of Yugoslavia.

What the Workers Are Demanding

The workers organized in various guild organizations and trade unions have been consenting to short-term partial solutions (until they got burned to the quick). They have been satisfied with easy explanations and pittances for those who are on mandatory annual vacations. The lulling talk to the effect that the sanctions will be removed in two or three months, and then by the end of the year, as we see, have not borne fruit. The most numerous and best-organized (government, official) League of Independent Yugoslav Trade Unions said its last word at the Kraljevo 1992 25th Meeting of Trade Unions on 13 October. "Even today we do not accept the policy of survival, although some of our moves are interpreted in precisely that vein.... So peace instead of war, a market economy instead of backing off from reform, and democracy, and thereby a return to the international community, would be that social strategy which leads to a way out of the crisis. That approach to the problem would remove the sanctions, and then we would tackle the difficult, but inevitable job that implies a deep and radical reform of our society." That position of the trade unions was preceded by the draft of an agreement which was supposed to be signed by the Economic Chamber, the Federal Government, and the trade unions, and among other things it would guarantee the lowest price of labor and no layoffs so long as the sanctions last (it would be valid over the territory of the entire country). The agreement has not been given up, but it has not been signed to this day. Nevertheless, one can conclude that both the trade unions and the workers have fixed their eyes mostly on the Federal Government. The representatives of the workers in Yugoslavia, unless conditions are brought about for a way out of the crisis and removal of the sanctions, which would mean an opportunity to go to work, have announced a general strike. There is no longer time for either waiting or fighting to survive.

From Poor to Poorer

There are two possible sources from which to mitigate the crisis of social welfare, as seen by the government of the Republic of Serbia, and they will be used to protect the lowest strata of the population. The first is effective collection of taxes and other obligations to fill the republic budget, and the other is a "more vigorous," i.e., less stringent, monetary policy, which would maintain production for an unknown market (inventories) and thus prevent disastrous unemployment. Both of them actually come down to redistribution, not creation of new income, and the republic government seems to have explicitly reconciled itself to this while waiting for removal of the UN sanctions, which have excommunicated the economy of Serbia and Yugoslavia from the world market. Announcing several new things in the program for welfare protection of the lowest strata, at a press conference last week Zoran Arandjelovic, deputy prime minister, and Jovan Radic, minister for labor and social welfare policy, made it known that in addition to the rigorous budgetary approach (raising and imposing

new taxes for social welfare purposes), that other approach is not foreign either, and that is the use of primary note issue. "A restrictive monetary policy cannot be conducted under the kind of conditions that now prevail," said Deputy Prime Minister Arandjelovic, reminding those present of the conflict that has already flared up between the Republic and Federal Government over control of the monetary sphere.

A new series of taxes and imposts on everything that moves in the economy, which has been prescribed by the republic government, and adopted by the Assembly, will probably not be sufficient to protect anyone. The poverty zone, that is, is spreading along the social vertical so rapidly that it is no longer possible to define precisely just who is in the poorest stratum. It now is coming to include not only those who are threatened by definition (persons without income, employees with the lowest earnings, pensioners with the smallest pensions, persons unable to work...), but also a large number of those employed in enterprises which have cut back their activity to a minimum because of the sanctions and sent their employees on mandatory indefinite leave. The government fund to aid those firms paid out funds for 55,000 workers last month. It is clear that this does not come even close to the number of those who have been put on mandatory leave, and indeed even the resources of the fund mainly represent a loan. It is an interesting datum that the deputy prime minister and labor minister do not know the real number of those receiving money from the fund, nor how many of them have been placed on mandatory annual leave. This, according to them, is the task of the Economic Chamber of Serbia, which is following the situation by the nature of its work. The government recently offered oil, sugar, and flour from republic reserves at somewhat lower prices than those on the market, thinking that it would thereby mitigate the grave position of the workers. By all appearances, this did not satisfy the workers. The 2 or 3 kg of these scarce products are not enough to get the workers through another month, much less the winter.

Hard, Harder, Hardest

The Federal Government has prepared an anti-inflation program and has turned particular attention to improving the social welfare of the workers. The trade union meetings in Mataruska Banja were used to communicate part of the program to the public. Deputy Federal Prime Minister Dr. Oskar Kovac explained that the changes that have to be made require great sacrifices. The preconditions for applying the anti-inflation program are removal of the UN sanctions, financial support obtained from abroad, renewal of ties with international institutions (the IMF, the World Bank, and other financial institutions), and reestablishment of severed economic ties with the former Yugoslav republics. There have to be interventions in monetary and fiscal policy. Hyperinflation should be stopped, because otherwise it could reach 10,000 percent, by taking excessive expenditure and reducing it from 60 percent to 40 and then to 25 percent on the day when the anti-inflation program

takes effect. The Federal Government, according to Dr. Oskar Kovac, envisages a growth of 15 percent for the social product in 1993, which certainly cannot be sufficient, but it is only possible if trade with the former Yugoslav republics reaches 60 percent. In monetary policy, a more active role is seen for the National Bank of Yugoslavia in restrictive policy (even the Federal Government will not be spared, but must borrow on the capital market) and selectivity in approval of funds and credit.

The Federal Government has no power to influence funds and establishment of taxes, that lies in the exclusive jurisdiction of the republics, so that before the new year an interventionist law is being prepared to reduce public expenditure and thereby the role of the state to 40 percent. The allocation for the Army would amount to 4 percent, old-age and disability insurance—9 percent, public expenditures and basic insurance—3.5 percent, the operation of government bodies and agencies—2.5 percent, education—2.5 percent, economic incentives—10 percent, and the fund to finance the unemployed and workers laid off (to make production more efficient)—4 percent. Of course, this law on the basic elements of the fiscal system has to be adopted by the Assembly of Yugoslavia, and the functioning of the government and economy will depend on it. "When production drops by 40 percent, and employment by 4 percent, we need to also restrict wages," Dr. Oskar Kovac said. "The goal is to maintain the present share of wages and salaries in the unit value of the product and prevent cost pressure from the price of labor. Controlling minimum wages also restricts demands and brings about adjustment to the diminished supply of domestic and foreign goods. The movement of the average earning per employee in the economy and socialized sector will be determined on the basis of anticipated trends of productivity and inflation." According to a proposal of the Federal Government, the average nominal wage will be determined by multiplying the projected inflation by 0.9. It is expected that this 90-percent computation of wages and salaries would keep up with inflation. A large number of workers would have to lose their jobs, some because of bankruptcy, others because enterprises are making their operation more efficient. The 4 percent which the Federal Government has envisaged for them would be enough to pay 70 percent of the average wage and would be guaranteed.

This program being offered by the Federal Government is not new. It is the only alternative if we want to get out of the crisis. It is up to the Assembly to adopt it and begin its realization as soon as possible. If that does not happen, we face years of a serious fight against poverty, misery, and an entry into authentic national socialism.

Entrepreneurs Increasingly Important in Montenegro

93BA0134A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 19 Oct 92 pp 19-20

[Article by B.I. Milicic: "Private Operators—The Last of the Mohicans"]

[Text] For the moment, the sanctions of the UN Security Council are being resisted in Montenegro mainly by the private sector of the economy. However, the most recent assessments of the resilience of the private operators and their readiness to quickly orient to programs whose realization does not depend on the importing of raw materials and production supplies sound less optimistic when one examines the distribution of private firms with respect to lines of business. According to figures of the Economic Chamber of Montenegro, in the middle of 1992 there were 2,832 private firms registered in this Republic (about two-thirds of them in the trade sector, 10.5 percent in industry, 4 percent in agriculture, 6.5 percent in timber and lumber, etc.). Employment in private firms ranged between 3,000 and 3,500, which means that a large number of them are sole proprietorships.

At the end of last year, private firms had a share of 2.8 percent in the total social product, while by the middle of this year that share had climbed to almost 17 percent, says Dusko Tamindzic, secretary of the General Small Business Association in the Economic Chamber of Montenegro. He believes that the relative number of private firms is not very indicative. The figures of the Social Accounting Service are in many respects more precise: Only between 800 and 1,000 private firms are operating permanently, while the rest are occasional or become involved in business only in exceptional cases.

It is obvious that the share of private firms in the entire Montenegrin economy is assuming an ever more important role. Many people will not be pleased by their distribution, that is, by the domination of firms in the trade sector, but there is no dispute that the private sector has played an exceptional role in supplying the market, and they have not been thwarted in this even by the exceptional circumstances brought about by the sanctions and the general economic crisis. That kind of vitality has not been shown in Montenegro by firms registered for industry, construction, transportation, and timber and lumber. Under the assault of the sanctions, many of them had to shut down production operations or curtail their activities to survival until better times, much like those in the socialized sector.

In terms of the number of employees at least, the crafts and trades in Montenegro are still stronger—about 9,500 independent operators employ a total of about 14,000 workers. So, in the private sector of the economy there is a total work force of about 20,000, which represents 14 percent of the republic's total employment. The sanctions have not essentially influenced the production crafts and trades, because this sector is not dependent upon imports; the raw materials and production supplies it uses come mainly from domestic sources. Thus, industrial cooperation between large socialized firms and the production crafts and trades still proceeds without hindrance (but the amount of business involved is only symbolic). At the same time, according to Tamindzic, the sanctions have had the most serious impact on the service crafts and trades, which obtains its production

supplies, spare parts, tools, and even equipment almost exclusively from abroad or in the former Yugoslav republics. There are fewer and fewer parts for servicing household appliances, radios and television sets, household equipment, and various technical devices. The sanctions have had a particularly serious impact on the maintenance of transportation equipment, whether socially or privately owned. Of course, we need to exclude from the service sector in this respect the so-called personal services (tailors, shoemakers, and hairdressers), who have not felt the sharp edge of the economic blockade. The restricted market, the diminished flow of goods, and the ever shrinking volume of orders from the socialized sector have had a very adverse effect on common carriers in the private sector. Tamindzic believes that these causes have had a greater impact on the diminished volume of business of carriers than the limitation on fuel, while cessation of imports of motor vehicles and fuel restrictions have brought carriers in passenger transportation to the very limit of survival.

The trade sector is holding on best even in independent economic activity: In private shops, the supply of farm products and foodstuffs is even quite good, and minor shortages of nonfood items are felt. During this period,

supermarkets and department stores belonging to large chains (in the socialized sector) have been almost completely empty. Thus the private trade sector has proved the most flexible in supplying consumer goods both from within the country and also from abroad. Much the same is true of hostelry and tourism, where up to now there have been no very essential disturbances, although, just as in the trade sector, there has been a somewhat smaller volume of business. Although this year bed-and-breakfast arrangements were not concluded in the tourist industry, in a part of the tourist season (July and August) these accommodations were booked solid.

It seems that the economic embargo has hit construction and the crafts and trades most seriously, because investments have dried up in both the socialized and private sector. Many construction firms are therefore facing liquidation or have already been liquidated.

From the beginning of the year up until 1 October, 940 craft and trade establishments were opened. Over that same period, 425 were closed. In earlier years, this ratio was 3:1 (one closed for every three opened), and now it is 2:1. In addition to the sanctions, this trend was also influenced by the stronger competition on the market.

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